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NEWS SUMMARY

GENERAL

Dutch battle to save oil cargo

Dutch authorities are fighting to salvage the oil cargo of the 215,000-tonne Energy Conservation.

The Hong Kong-owned supertanker broke its back while unloading in Rotterdam, the world's busiest port.

Police believe that, after nearly 50,000 tonnes of crude had been emptied from middle tanks, the weight of oil in the fore and aft tanks caused the ship to buckle.

The bow and stern sections sank, pushing the mid-section out of the water at an angle. Back Page

New lamb row

France vetoed EEC plans to safeguard New Zealand lamb and butter exports in an angry session of Agriculture Ministers in Brussels. Britain's Peter Walker three times challenged France's Pierre Mehaignerie to remove his country's illegal ban on UK lamb.

Arms for Chile

Britain is to lift the embargo on arms sales to Chile, imposed after the Allende regime was overthrown in 1974. There will be a licensing system, and no weapons will be sold which could be used against the civil population. Back Page

Whales lose

The International Whaling Commission failed at Brighton to achieve a two-thirds majority to ban commercial whaling. Back Page

Mideast mission

Luxembourg Foreign Minister Gaston Thorn is to head an EEC fact-finding mission to eight Middle East countries. Today he flies to speak in the UN Palestine debate. Back Page

New-look NHS

Health Minister Patrick Jenkins announces details today of a National Health Service reorganisation that will cut out one administrative tier and save about £30m a year. Page 6

Gold for Duncan

Duncan Goodhew won Britain's first gold medal in the Moscow Olympic Games, in the 100 metres breaststroke swim.

Lorry driver hero

Harlow lorry driver Ray Gilby rescued James Hirst, four, from the path of an express train near Cullompton, Devon, after James's father's car had crashed off a motorway. James is "very poorly."

Cell case win

Roger Daly of Stoke Newington, who said he was stripped in a police cell and had peanuts thrown at him, was awarded over £3,200 damages for false imprisonment, assault, and malicious prosecution, by the 10—2 vote of a High Court jury.

Bishop's move

The Right Rev. Ronald Bowlby, Bishop of Newcastle, is to succeed the Right Rev. Mervyn Stockwood as Bishop of Southwark on October 31. Bishop Bowlyby, a 53-year-old Etonian, favours ordination of women.

Briefly . . .

Eugenia Charles, 61, a barrister, became the Caribbean's first woman premier when her Freedom Party won Dominica's election. Page 4

King Hassan has released Morocco's political prisoners.

Actor Peter Sellers was admitted to Middlesex Hospital after another heart attack.

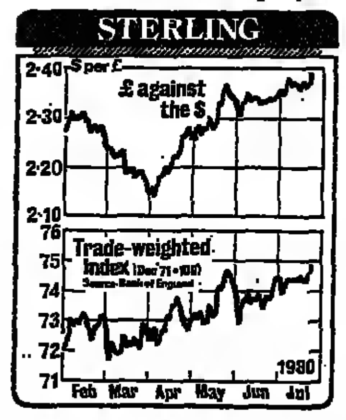
House of Commons voted 203-80 to end the Scottish law making homosexuality an offence.

BUSINESS

£ rises to five-year high; Gilts ease

● STERLING rose to its highest level against the dollar since April 1975, closing 75 points up at $2.3880 after reaching a peak

STERLING



of $2.3910. Its trade-weighted index was 74.8 (74.7)—the highest point since March 1976. Page 28

● DOLLAR was soft in quiet trading, closing at DM 1.7365 (DM 1.7415). Its trade-weighted index was unchanged at 83.1. Page 28

● GOLD fell $4 in London to close at $614.5. Page 28

● GILTS eased on the Bank of England's warning that money supply growth may accelerate with last month's ending of corset controls. The Government Securities index fell 0.20 to 72.34. Page 22

● EQUITIES weakened after a firm start. The FT 30-share index closed 9.3 down at 486.7. Page 22

● WALL STREET was up 0.51 at 929.18 near the close. Page 20

● MR. PETER CADBURY claimed the suppotr of 130,000 voting shares from a total of 200,000 in his fight to regain the chair of Westeward Television.

● UK BUDGET system should be changed to bring public spending and tax proposals together and to allow more time for Parliamentary and public debate. Back Page

● GOVERNMENT is considering the need for further legislation on share ownership in publicly quoted companies. Page 6

● ELECTRICITY supply industry reduced its estimates of future power demand for the second time this year. Back Page

● BRITAIN is now the third largest supplier of crude oil to West Germany, pushing up sales from 5m tonnes in the first half of 1979 to 7.2m tonnes for the same period this year. Page 4

● TUC and CBI agreed draft guidelines for the introduction of new automated systems throughout British industry. Page 8

COMPANIES

● BELL GROUP of Australia wants to bid 85p a share for a 25 per cent stake in Rolls-Royce Motors. Page 16

● THORN EMI agreed to sell the Ultrasound division of Nuclear Enterprises, a pioneer of medical diagnosis techniques, to the U.S. company H. G. Fischer. Page 6

● MFI FURNITURE increased pre-tax profit by 20 per cent to £16.77m for the 53 weeks to May 31. Page 14; Lex Back Page

● DOWTY, the mining, aerospace and electronics group, increased pre-tax profit for the year to March 31 by £6.72m to £37.9m. It was helped by a large mining order from China. Page 14; Lex Back Page

● MERCANTILE House Holdings announced a £2.5m rights issue—one new share at 220p for every five held—to help purchase four U.S. comapnies. Page 14

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			Lucas Inds.	214	− 6
Aeronaut. and Gen.	295	+ 33	Mercury Secs.	218	− 10
Gordon and Gotch	108	+ 8	Metal Box	306	− 10
Gough Cooper	88	+ 12	Neepsend	37	− 6
Huntleigh	105	+ 8	Racal Electronics	278	− 12
Initial Services	167	+ 7	Reed Intl.	205	− 9
Priest (B.)	72	+ 4	Thorn EMI	316	− 8
Sketchley	284	+ 8	Tube Invs.	283	− 13
FALLS			Turner and Newall	111	− 7
Treas. 11¾pc 1991	£94⅞	− ⅛	Whitbread "A"	154	− 9
Excheq. 12pc '13-17	£100⅜	− ½	BP	346	− 6
Bass	223	− 10	Candecca	187	− 13
Batleys of Yorkshire	46	− 7	Carless Capel	151	− 18
Cawdaw	19	− 3	Ashton Mining	128	− 6
County and District	185	− 15	Esperance Minerals	260	− 30
Dowty	232	− 18	Haoma Gold	176	− 16
Eurotherm Intl.	320	− 60	Lydenburg	155	− 13
Freemans (Ld SW9)	128	− 6	North West Mining	150	− 18
GEC	474	− 10	Otter Expln.	80	− 6
Grand Metropolitan	157	− 5	Poseidon	205	− 9
Hawker Siddeley	230	− 12	Strata Oil	134	− 18

REDUNDANCIES UP, VACANCIES DOWN AS RECESSION BITES

Record increase in UK jobless figures

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RATE of growth of unemployment is accelerating faster than expected as the recession deepens, redundancies rise and vacancies fall.

A surge of school leavers on to the register contributed to a record 237,000 rise in total UK unemployment to 1.897m in the month to mid-July.

Even after deducting school leavers and adjusting for normal seasonal variations the underlying position has deteriorated dramatically.

The number of adults out of work in the UK increased by 71,000 to 1.61m in the month to mid-July. This is the biggest monthly rise since the present series of figures were first collected in 1948. The present adult total is equivalent to 6.6 per cent of the workforce.

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The growth rate of adult unemployment has been accelerating. Between April and July the average monthly rise was more than 49,000 compared with 40,000 in the previous three months. Since unemployment began to increase last September the adult total has risen by 344,000 or more than 27 per cent.

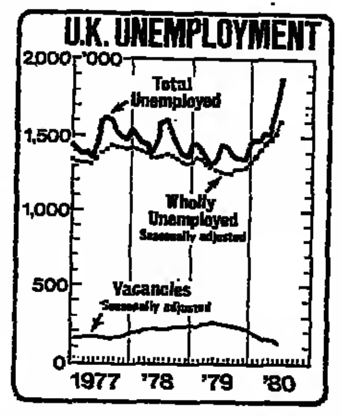
If the trend of the last three months continues, adult unemployment could be more than 2m early next year. The unadjusted total could, however, come very close to 2m next month, depending partly on the school-leaving pattern.

The number of school leavers out of work jumped by 109,000 to 295,000 in the month to mid-July. This is equivalent to nearly 40 per cent of those expected to have left school over the past academic year.

More school leavers may join the register next month. Then, there should be a decline during the autumn as employers start to recruit.

In 1979-80 the number of school leavers out of work dropped from 215,000 in July to 32,000 by March but this time the decline after the autumn may be much smaller.

The record rise in unemployment jolted Westminster and Whitehall. There were warnings of serious social unrest and comparisons with the 1930s. The latest total is the highest since 1936. But, because the current workforce is larger than then the percentage rate is now lower than the 1930s average of more than 10 per cent and the 1933 peak of around 15 per cent.



The sharpness of the rise in unemployment has been greater than the Treasury forecast and has apparently shocked senior ministers.

There are no signs, however, of any change in Government economic policy. In a statement yesterday Sir Geoffrey Howe, Chancellor, stressed Government determination to reduce inflation as a pre-condition for a sustainable resumption in growth of output and jobs. He returned to his theme of linking high pay rises and unemployment.

The Government is likely to respond to youth problems by producing a package of special assistance and training measures. Preparatory work is well advanced.

The acceleration in unemployment is a direct reflection of the sharp drop in demand and output since the late spring. Companies have reacted by closing plants, putting workers on short-time and cutting recruitment.

It is estimated that notified redundancies in June were about 28,000—double the total for the same month last year. This probably only accounts for some of the workers who have lost their jobs. During the first six months of this year notified redundancies of roughly 180,000 were the highest since 1971.

The decline in new job opportunities is spotlighted by the further fall in vacancies notified to the Department of Employment. These dropped by 20,700 to 126,000, seasonally adjusted, in the month to mid-July. This is half the total of a year ago. Since only about one-third of all vacancies are officially notified this means there are probably about 350,000 to 400,000 vacancies

No-confidence motion tabled

BY ELINOR GOODMAN

THE GOVERNMENT faces a vote of no confidence in its economic policies next week after surviving the Commons announcement yesterday of the latest unemployment figures with rather less drama than expected.

In a packed Commons, with Ministers overflowing onto the back benches, Labour MPs made the predictable noisy calls for Mrs. Thatcher's resignation. But the Opposition's general strategy seemed to be to express its fury within the rules of acceptable Westminster behaviour and to do nothing to distract attention from the figures.

The debate, the second vote of confidence the Government has faced in its 15 months of office, could reveal some uneasiness on the Conservative back benches about the consequences of the Government's economic policies. This uneasiness could add to the pressures on the Government to introduce a package of remedial measures in the autumn. By then, Ministers privately concede, unemployment could be over the emotive 2m mark, and the political pressures on the Government to act could be extremely strong.

Concern

Yesterday, Mrs. Thatcher swept aside demands from the Opposition for a change of policy. It was "no earthly good looking for some miracle formula," she insisted. She acknowledged her concern for the unemployed, but stressed that, if wage demands were reduced, then unemployment would fall. Time and time again, she repeated this message about pay as she faced Mr. Callaghan across the despatch box. At no point did she refer to the need to control the money supply, which only a few months ago would have dominated such exchanges.

Mr. Callaghan, in his now favoured role as the older and more experienced politician, repeatedly urged Mrs. Thatcher to change her policies. But the Prime Minister replied that the Government's priority must be to fight inflation. This, she acknowledged, would mean a "short-term increase in unemployment."

Conservative back benchers rallied loyally in preparation for what they had been led to expect would be a much more bloodthirsty attack eventually than the one which materialised. Almost every MP and Minister had been asked to attend Prime Minister's questions in case the Opposition sprang some parliamentary raid at the last moment.

But the mood of the Opposition was one of restrained fury.

The Government survived the last Opposition no confidence motion with a majority of 59, and it would be highly unlikely that any Tory MP would rebel in next week's vote; but the motion is deliberately worded in such a way as to embarrass the Government. It states that the House has no confidence in the Government's economic and social policies which it claims are spreading mass unemployment undermining industry and demoralising the country.

John Lloyd, Labour Correspondent, writes: Union leaders reacted furiously to the announcement of the unemployment figures.

Mr. Len Murray, general secretary of the TUC, interviewed on ITN, said unemployment would lead to "social disturbance and youngsters having resentment created in their minds as a way of life."

Mr. Murray said that the choice offered by the Government between lower wage rises and unemployment was "meretricious and deceptive." He said that "the economy is in a nose dive, and the pilot is spending half his time wringing his hands in mock sorrow and the other half of his time haranguing the passengers with lectures about monetarist theory."

Mr. David Basnett, general secretary of the General and Municipal Workers Union, said that a slump had been deliberately engineered

Surveys had shown that the real reasons for high unemployment were not wages, but unnecessarily high interest rates, an over-valued pound and cuts in public expenditure and industrial aid.

Mr. Chris Easterling, assistant secretary of the Society of Civil and Public Servants, claimed that the unemployment benefit system was close to collapse because of cuts in staffing and the use of casual labour.

● Sir Raymond Pennock, president of the CBI, said that the figures underlined the need for moderation in wage claims.

"In the past three years, we have been pricing ourselves out of world markets because people in this country have been grabbing pay increases 10 times higher than the rise in our productivity," he said.

$ in New York

—	July 21	Previous
Spot	$2.3820-3830	$2.3775-3785
1 month	1.75-1.69 dis	1.52-1.47 dis
3 months	3.78-3.70 dis	3.83-3.78 dis
12 months	7.55-7.40 dis	7.65-7.55 dis

British Gas fights oil sale

BY RAY DAFTER, ENERGY EDITOR

BRITISH GAS Corporation, the UK's most profitable state corporation, is to fight Government plans for selling some of its oil assets.

Sir Denis Rooke, the British Gas chairman, yesterday announced a record pre-tax profit of £425.9m and then criticised proposals which could involve changes in the corporation's structure. British Gas is one of the state undertakings now featuring in the Government's de-nationalisation plans.

So far, talks between Mr. David Howell, Energy Secretary, and the corporation's board have centred on the possible sale of some of its oil interests. These include the important Wytch Farm field in Dorset, discovered and developed by British Gas, and four offshore fields: Beryl, Fulmar, North West Hutton and Montrose.

It is understood that, in preliminary discussions, British Gas has emphasised the problems of disentangling consortium arrangements and oil sale agreements. Sir Denis Rooke, who would not be drawn on the nature of the talks, said yesterday: "We have discussed some aspects of the matter on a businesslike basis. We shall, as a board, look at any proposals strictly on a businesslike basis without political bias."

However, it is clear that British Gas intends to oppose the sale of assets or other plans that would reduce its integrated status. It is thought that the Government is also considering breaking the corporation's monopoly over gas sales.

One idea being formulated within the Government could result in the developers of a gas field winning the right to sell the fuel to a nearby factory or industrial complex. This would be similar to the rights now being extended to companies interested in generating electricity for third-party sales.

Sir Denis said that any change in the corporation's structure could only put its "first-class" success prospects in jeopardy. He asked: "Why waste the time and effort that would be needed to effect such a change when so many other non-successful parts of the economy are desperate for time and effort to be spent setting them on the path to success?"

British Gas's success had been based on the loyalty and creative drive of its staff and the wholly integrated structure of the business. "Taking away either is a recipe for making another helping of lame duck," said Sir Denis.

The corporation's profit of £425.9m in the 1979-80 financial year compared with £460.7m in the previous year. The return on turnover was 12.1 per cent, almost double the financial target set by the Labour Government. In January the Conservative Government set a new three-year target of an average net return of 9 per cent on net assets. Sir Denis said the corporation was set to meet this year's profit target, established by the Government, of about £600m.

Although sales are increasing, most of this profit growth will be generated by price rises. The National Gas Consumers' Council said that the profits confirmed its view that "gas consumers are being taken for a ride by the Government." The council called for some of the profits to be ploughed back into conservation measures and more help for poor consumers.

The corporation has embarked on a record £4bn investment programme over the next five years. A quarter of this will be spent on developing the Morecambe Bay gas field in the Irish Sea. This investment programme excludes the proposed £1.1bn North Sea gas gathering pipeline scheme of which British Gas is an architect.

Sir Denis said he saw the gas gathering network as the only gas project where private capital could be justified.

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British Rail loss doubles

British Rail's loss for the first half of 1980 was £24.2m. This was more than twice the loss for the same period of last year. BR Board members believe a more flexible cash limits scheme is needed to improve its performance. Back Page.

Fed silent on monetary growth

BY DAVID LASCELLES IN WASHINGTON

MR. PAUL VOLCKER, chairman of the U.S. Federal Reserve, injected a new note of uncertainty into the U.S. economic outlook yeesterday by refusing to make any firm projections for monetary growth next year.

By law he is required to lay out each July the Fed's targets for monetary growth in the next calendar year. His report had been awaited with interest.

But yesterday he told the Senate Banking Committee that the outlook was so uncertain and the technicalities so complex that "it would be unwise" to talk of specific numerical targets at the moment."

The decision to stand back was apparently taken at the recent monthly meeting of the Federal Open Market Committee, the Fed's credit policy-making arm. However, Mr. Volcker reiterated that it was the committee's broad objective to "work towards the lower levels of monetary expansion over time."

Mr. Volcker's announcement came as a surprise in Washington and Wall Street, where analysts had awaited eagerly more precise news of the Fed's thinking on long-term monetary policy.

Sen. William Proxmire, chairman of the Senate Banking Committee, told Mr. Volcker he had "a lot of trouble" with his report. He said: "This behaviour is unjustified in the face of the great uncertainty in the economy."

Wall Street was also disappointed, though analysts there had a little more sympathy with Mr. Volcker's argument that definition of the money supply has become a complex and shifting business.

In fact, the market appeared to draw some comfort from the Fed chairman's statement in another part of his report that the Fed would stick with its monetary growth targets for the rest of this year. There had been fears that the Fed might ease its stance to try to stimulate the lagging money supply.

Mr. Volcker also spoke out against a tax cut, saying conditions were not right for a responsible move in this direction. An ill-timed or excessive cut would be self-defeating, he said.

As he was speaking, Mr. G. William Miller, Treasury Secretary, was making similar comments before the House Ways and Means Committee

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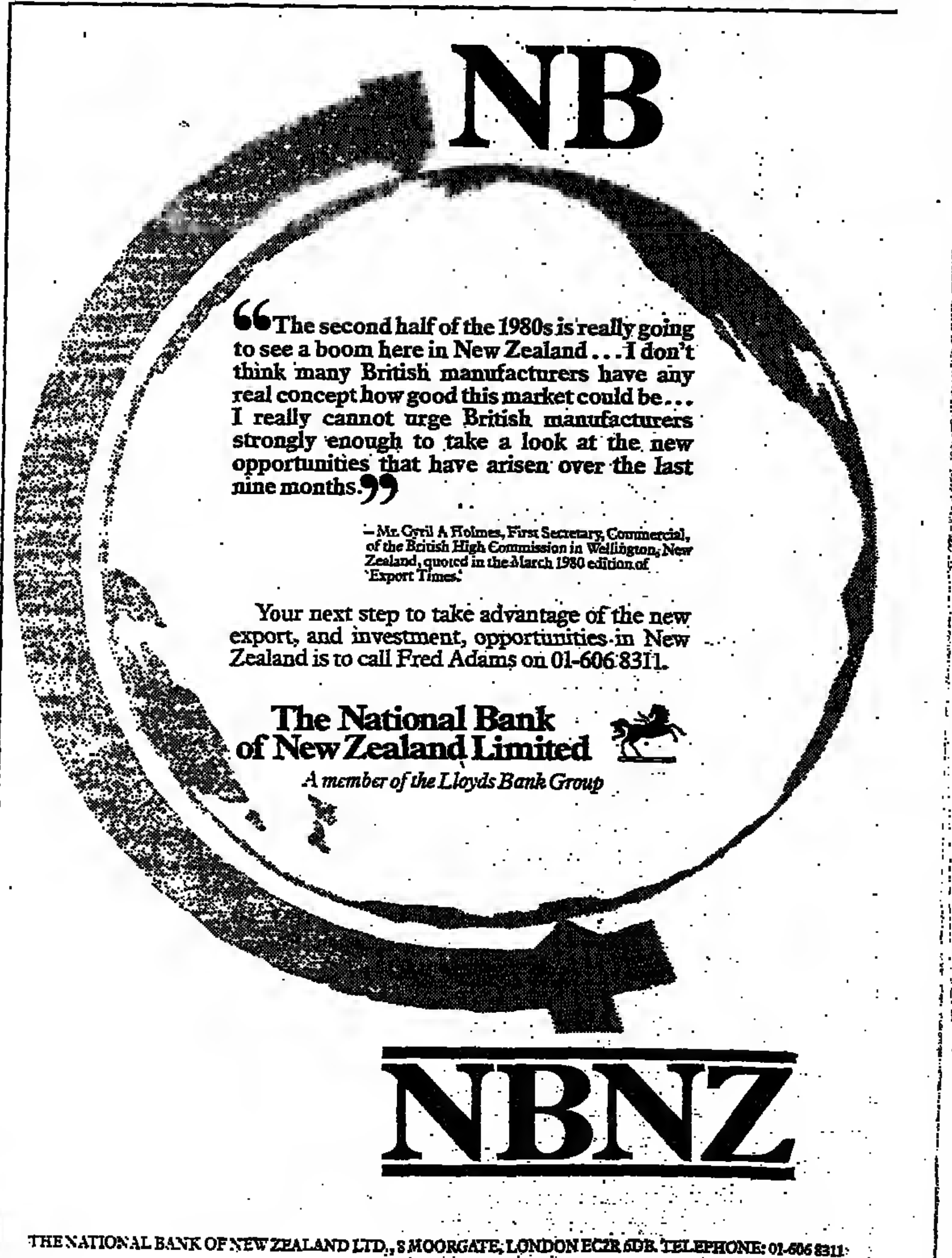
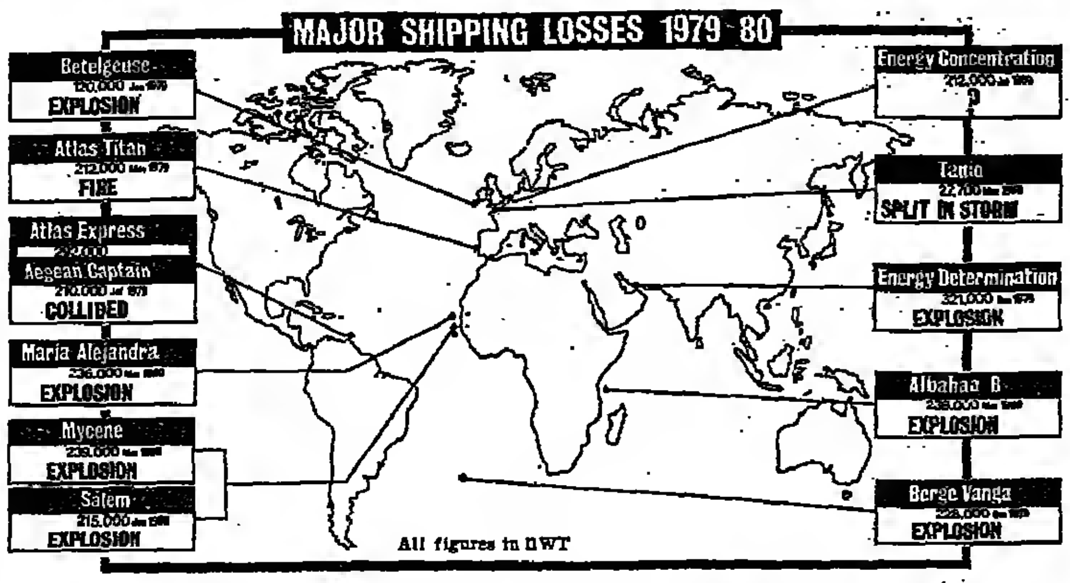


Tanker's break-up highlights mounting safety concerns

BY WILLIAM HALL, SHIPPING CORRESPONDENT



WHEN THE history of supertanker casualties is finally written the loss of the 212,269 dwt Energy Concentration will probably rank alongside the sinking of the Amoco Cadiz and the Torrey Canyon, in terms of its repercussions.

All three ships foundered along the coasts of heavily populated European countries and nothing is more certain to generate official disapproval. When a supertanker goes down in the South Atlantic it receives momentary attention, but when it threatens Europe's major oil terminal, the repercussions are many times more serious.

Although there has been no official explanation of this latest accident, the ship appears to have broken in two while unloading its cargo. This implies, in the absence of an explosion, that there was something very badly wrong with its unloading procedures.

In a vessel of this size it is very important to balance the forces throughout the ship to limit stress. Tanks being discharged out of sequence can lead to tremendous strains along the hull and a ship can "break its back." The Betelgeuse, which was half the size of a Very Large Crude Carrier such as Energy Concentration, broke in two in Bantry Bay early last year, but this followed an explosion.

Normally, the ship's mate and the oil terminal superintendent will agree a certain pattern of discharge. In this case, maybe due to computer fault or human error, it seems as if the discharge pattern was not followed. However, this will not become clear until the official inquiry.

This is believed to be the first time that a VLCC has broken in half while unloading and it is bound to raise questions about the standards and procedures of oil terminal operation as well as questions of ship safety.

The EEC is working on a draft directive to ban substandard ships from European ports and this latest disaster can only highlight the dangers for every oil terminal, however well managed.

Because of the proximity of the accident to most European countries, plus the highly emotive concern about oil pollution, the Energy Concentration's loss will almost certainly cause more controversy than other recent VLCC casualties.

However, its loss should not be viewed in isolation. The ship is just the latest in a growing list of VLCCs lost over the past couple of years. Since the Torrey Canyon disaster in the 1960s and the loss of the Amoco Cadiz in 1978, the safety record of the world's fleet of supertankers has come under considerable scrutiny.

The Intergovernmental Maritime Consultative Organisation (IMCO), the United Nations body concerned with ship safety standards, has tightened its rules and various governments, particularly the U.S., have taken steps to ban substandard ships from their ports.

But, far from casualties among VLCCs decreasing, the number is accelerating. Between 1969 and 1978 only four VLCCs were lost. Last year alone, five were completely lost, including the Energy Determination, which belonged to the same owners as the Energy Concentration — the C. Y. Tung group and Yamashita. The Tung group, which recently took over Furness Withy, is Hong Kong's second biggest shipowner and Yamashita is one of Japan's big six shipowners.

In terms of maritime losses, last year was the worst in peacetime history with some 2.3m tons of shipping lost. Already, 1980 looks even worse. So far this year, five VLCCs have been lost. Many were relatively old, first generation VLCCs, some exploded while cleaning out their tanks (one of the most dangerous operations at sea), others collided and one, the Salem, disappeared in mysterious circumstances.

Although there is no common cause, observers are increasingly worried by evident weakness in crew standards. Often, the ships are equipped with the most up-to-date safety apparatus and meet all international safety conventions, but the crew is either careless or poorly trained.

A recent Salvage Association study of major tanker casualties strongly criticised the standards of ships' crews, oil terminal staff and ships' management. Many of the disasters were due to "pressures to meet commercial deadlines, lack of attention to duty or an over-familiarity leading to slackness."

It was a "matter of grave concern," it said, that owners and operators of these expensive vessels were often prepared to employ crews that were "barely adequately trained." The Salvage Association represents the interests of the insurance community and its criticisms carry considerable weight.

A large oil tanker is still one of the safest ships at sea if well maintained and handled. The safety record of the oil majors, which control many of these ships, is among the best in the world, for example. However, it is standards of smaller operators which are now worrying many officials. There are a number of reasons why they have been falling.

The main problem is that the operation of VLCCs these days is generally unprofitable. In the early 1970s, the big oil companies and the independent tanker owners ordered dozens of supertankers, since this was believed to be the most efficient way to transport oil.

As long as the world oil trade was dominated by the big oil companies this was the case, but after the quadrupling of oil prices in the mid-1970s a number of things happened. The oil majors' share of oil transportation began to fall. In 1973 they accounted for 80 per cent of the spot market. This share has now fallen to 40 per cent and has been accompanied by the rise of independent traders who often charter ships themselves.

The fragmentation of the market has meant that oil companies are shifting many more lots of small cargoes around the world. Consequently, there is less demand for VLCCs. As a result many established operators have been selling their supertankers and these have been bought by less reputable companies in some cases.

Over the last couple of years the tanker market has attracted all sorts of companies to take the place of oil majors. A ten-year-old VLCC costs $8.5m—less than a similar aged bulk carrier which is one tenth the size. If the latter sinks it goes virtually unnoticed—but if a VLCC founders it captures the headlines.

Even those companies which have been in the tanker business for a long time have felt the severe recession in the VLCC market. The pressure is on to cut costs and corners to eke out a living. As a result established safety standards are sometimes ignored and crew training overlooked.

Unlike airline pilots there is no international standard to cover who can operate a ship. Although it rarely happens, a master of a 5,000 dwt cargo ship could take over a 250,000 dwt VLCC registered under certain flags and no questions would be asked.

In addition, with rising living standards, less people are attracted to a life at sea and it is that much harder to find and kep good crew. BP reckons it takes 10 years to produce a well qualified navigator or engineer. Such companies can afford to train them, many of the smaller operators cannot.

Danger of explosion looms over Dutch attempt to salvage ship

BY ALAN CANE

EXPLOSIONS and serious oil pollution are the two great dangers to the people and harbour of Rotterdam as salvage operations get under way.

Within hours of the disaster, experts from Smit Tak International, one of the world's most experienced salvage companies, were at the Rotterdam keyside with generators ready to pump inert gas into the tanks of the stricken vessel if its own system failed.

Some 110,000 tonnes of oil are reported to be still aboard, distributed between the vessel's 15 storage tanks. There are five ranks, each of three tanks down the length of the ship.

According to Bureau Veritas, the French equivalent of Lloyd's Register, the vessel had no abnormal features which would make it intrinsically less safe.

It is fitted with an inert gas system which maintains an atmosphere of nitrogen or similar gas which will neither support combustion nor allow potentially dangerous levels of vapour to collect above the crude oil.

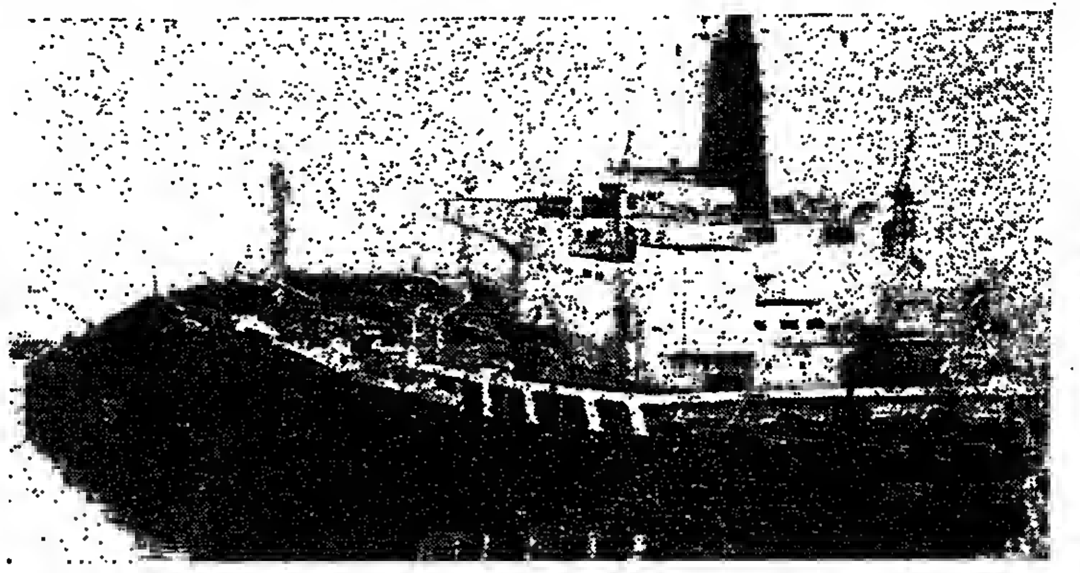
Most explosions aboard tankers have been attributed to the build-up of mixtures of inflammable vapour and air in empty or partially empty tanks. Inert gas systems have only been required by international agreement since last May.

While the salvage experts debate the best way to raise the Energy Concentration, the risk of explosion will be uppermost in their minds. Their most likely approach will be to empty the tanks either by pumping the remaining oil directly to the shore or into smaller tankers alongside.

The task will be lightened if the vessel's own inert gas system is intact and continues to operate through the salvage operation.

If it does not, the Smit engineers will have to attach gas generators to the vessel while each tank is emptied. There are two dangers here. If air gets into the tanks, by whatever means, while the gas lines are being attached, a potentially explosive mixture will be created. And if holes have to be cut in the tanks because the valves are out of action, the cutting gear could throw off sparks which would ignite the heavy vapour.

The two parts of the vessel are apparently still attached, and moving with the tide. That raises the possibility of sparks being thrown off as the rough metal surfaces rub against each other which could also ignite the vapour.



The Liberian-registered supertanker, Energy Concentration, its back broken lies at an oil terminal at Rotterdam. The accident occurred as the ship was unloading its cargo.

Gulf Oil claimed last month that the explosion which sunk the tanker Betelgeuse in Bantry Bay 18 months ago with the loss of 50 lives was caused by sparks as the tanker broke up.

Smit used four large barges with complex lifting gear to raise the Betelgeuse: a similar approach is not thought to be necessary in Rotterdam. If the tanks can be emptied safely, it should be possible to refloat the two halves of the hull.

The pollution threat—a considerable risk in one of Europe's cleanest harbours—seems to have receded. Only 10 tonnes of oil were spilled and they were contained quickly with plastic inflatable booms until they could be vacuumed from the surface of the water or dispersed

Rotterdam boosting accident measures

BY CHARLES BATCHELOR IN ROTTERDAM

ROTTERDAM IS the world's busiest port, with crude and oil products accounting for nearly two-thirds the 301m tonnes of cargo handled in 1979. It has expanded towards the sea, along the south side of the Maas estuary, with the building of the Europoort complex of oil refineries and the Maasvlakte ore and coal terminals.

The port authority has taken delivery of four high-speed, British-made Hovercraft over the past 12 months to strengthen the existing fleet of a dozen conventional vessels equipped to deal with emergencies. These include ships to skim oil off the water surface and to lay an inflatable boom to contain slicks. The city harbour board is also spending Fl 300m (£66m) on an improved radar system to guide ships along the 12-mile river estuary.

Shipping accidents have fallen over the past 10 years despite the increase in cargo handled. On average, two serious accidents occur a year, six are rated as fairly serious and about 40 as minor incidents, according to the harbour board.

A central command post is manned 24 hours a day to respond to accidents. The river police, fire brigade and the port authority co-ordinated their reaction to the news of the sinking of the Energy Concentration early yesterday.

The port authority is under strong pressure to maintain high safety standards because of the presence of about 2m people in Rotterdam and other nearby communities.

Plans by British Petroleum and Royal Dutch Shell to build a liquefied petroleum gas terminal have been closely scrutinised to assess risk.

Union chief shot dead in Turkey

BY METIN MUNIR IN ANKARA

MORE THAN 60,000 Turkish metal-workers stopped work yesterday after gunmen in Istanbul assassinated Mr. Kemal Turkler, for nearly 30 years one of the country's most prominent unionists.

Mr. Turkler (53) was shot dead outside his home as he left for work just a few hours before Turkey's political leaders gathered in Istanbul to attend the funeral of Mr. Nihat Erim, a former Premier, who was murdered by terrorists in Istanbul last Saturday.

The murder of Mr. Turkler was apparently a reprisal for that of the Right-wing Mr. Erim.

The assassination of the latter was claimed by the Turkish Islamic Army, an ultra Right-wing terrorist group about which little is known. Mr. Turkler's death might draw workers, hitherto on the fringes of violence, into the clash between extremist groups which is tearing Turkey apart.

Left-wing union leaders yesterday blamed the murder on "fascists." Joint action by a group of Left-wing unions is to be announced today and Mr. Turkler's funeral tomorrow could turn into a massive demonstration of workers' solidarity.

Bomb kills Spanish guard

BY OUR MADRID CORRESPONDENT

A LIEUTENANT in the Spanish Civil Guard was killed yesterday and 34 guards were seriously injured when a bomb wrecked a bus taking them to a shooting range at Villamediana, just south of the Basque country. The attack is presumed to be the work of the hardline military wing of ETA, the Basque separatist organisation.

The incident followed an unsuccessful attack on a Civil Guard patrol near Bilbao in the Basque country on Monday night. Last week two Civil Guards and two members of ETA died in cross-fire during an ambush staged by the terrorist organisation near San Sebastion.

The latest wave of violence brings to 71 the number of deaths in acts of terrorism this year and is quite separate from the holiday bombing campaign launched by the political-military wing of ETA in Spain's coastal resorts on June 25.

Since then it has claimed responsibility for six bomb incidents at resorts. However, unlike ETA's military wing, this branch has usually sought to stop short of killing, and so far no one has been hurt in the holiday campaign.

The campaign follows a drop of 8.3 per cent in the number of tourists visiting Spain during the first five months of this year compared with a year ago.

EEC seeks U.S. talks on chemicals

By Giles Merritt in Brussels

A CLEAR-CUT political mandate directing the European Commission to open fresh talks with Washington on ending the "unfair" price advantage to U.S. industry of its cheap petrochemicals was agreed here yesterday by the EEC Council of Foreign Ministers.

To reinforce their demand for serious negotiations on this sensitive EEC-U.S. issue, the member governments of the Nine have also made a veiled threat. They said that the Community could introduce a special mechanism that would offset the 10 per cent price edge that U.S. oil and gas price controls provide to producers there of textile fibres and chemicals.

The Brussels Commission has been instructed to parallel its request for new EEC-U.S. talks with a study of such devices, following suggestions by the French Government of a price adjustment system similar to the "trigger price mechanism" that the U.S. itself used to raise prices of imported steel. The Foreign Ministers' Council will review the position at their September 15-16 session.

U.S. penetration of European markets, particularly in the man-made textile fibres sector, has threatened during this year to provoke a trans-atlantic trade war. The U.S. had been equally concerned about European sales of steel, until an anti-dumping action earlier this year brought by the U.S. Steel Corporation slowed these to a trickle.

Although Brussels and various EEC member governments, notably Britain, have attempted to stem the surge of these U.S. exports with such measures as anti-dumping action and import quotas, the EEC Foreign Ministers have now formally identified for the first time U.S. price controls on oil and gas as the basic problem.

Soviet writer flies to West

MOSCOW — Vasily Aksyonov, one of the Soviet Union's best-known writers of the 1960s, left Moscow yesterday to live in the West, after years of struggle with official censorship and the effective banning of his new works. Reuter

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Communists latch on to Cossiga impeachment

BY RUPERT CORNWELL IN ROME

AT TEN O'CLOCK this morning the two houses of the Italian Parliament meet in special joint session for an occasion without precedent in the history of the post-war republic — the impeachment of a Prime Minister in office for alleged criminal offences.

Sig. Francesco Cossiga, whose second government has been in power for just three months will be judged by his parliamentary peers on two counts: whether he violated the secrecy supposed to cover investigations by examining magistrates, and whether in doing so he abetted the flight of a wanted terrorist suspect, Marco Donat Cattin.

Unfortunately for Sig. Cossiga, however, the nature of the affair has changed since it burst with such sensation last May. Were his own probity and reputation all that there were at stake, his acquittal would be beyond all doubt.

Even today the most probable outcome is that the 952 Deputies and Senators will provide a conclusive majority for shelving the case once and for all. But in the past two months the inquiry has taken on a political hue, of great significance for both the immediate future of his administration and for the ever-fragile equilibria of Italian politics.

Essentially, the affair is now an ingredient in the new phase of confrontation between the Communists (PCI) and the Christian Democrat leadership, which began when the ruling party swung Right at its February congress and declared itself completely against the Communists' entry into government.

Thus, as part of its strategy to "destabilise" both the current administration and undermine the hard-line Christian Democrats, the PCI successfully moved to collect enough signatures to reopen the inquiry on the floor of Parliament.

This was after a parliamentary committee voted on May 31, but by an insufficient majority, to shelve the issue of whether Sig. Cossiga had tipped off Sig. Carlo Donat Cattin, the Christian Democrats' deputy secretary, that his son Marco was being sought by police as a terrorist.

Both denied the allegations. Sig. Donat Cattin, architect of the anti-Communist platform of the congress, resigned. But the Communists were not satisfied.

In addition to securing the Prime Minister's virtual trial today by Parliament, they have carried the battle further by resisting the latest deflationary economic package and have already forced the Government to climb down partially.

Sig. Cossiga: faces Parliament today

The PCI's goal is to bring down Sig. Cossiga by any means. For this, their best potential allies are those Christian Democrats and Socialists favouring closer links with the Communists. These are currently in a minority within their respective parties.

So, politics might yet get the better of considerations of simple justice, and this accounts for the lingering anxieties about the final outcome expected on Saturday or Sunday.

On paper, Christian Democrats, Socialists and Republicans —the three parties in Sig. Cossiga's coalition—have 517 votes. This is 40 more than the simple majority of 477 needed to clear the Prime Minister. If many Social Democrats and Liberals back him as expected, the majority would become even larger.

No one expects Parliament to send him for trial before the Constitutional Court, the highest in the land. Were the unthinkable to happen, Sig. Cossiga would automatically resign and thus open another government crisis, Italy's 40th since the War.

The danger lies in a third possibility: that, in a secret vote, enough dissident "left-wing" Christian Democrats and Socialists more friendly to the Communists would vote against Sig. Cossiga. This might lead to a decision by Parliament to keep the case open and continue its inquiry. Sig. Cossiga's reaction to an effective vote of no-confidence by some of his supposed supporters on so closely felt a personal issue may only be guessed at.

He himself is said to have been dispirited and anguished by the whole protracted business —not least because of his impressive record against terrorism in the past.

As Interior Minister during the kidnap of Sig. Aldo Moro, the former Prime Minister murdered by the Red Brigades in 1978, Sig. Cossiga adamantly rejected suggestions of an exchange of prisoners to free Sig. Moro.

Ironically, his staunchest ally then was Sig. Enrico Berlinguer, the Communist leader and a distant cousin, who today is his fiercest opponent. It would be a doubly savage twist, moreover, were Italy's left-wing terrorists, now close to being routed, granted the gratuitous triumph of contributing to the downfall of a Government.

It was, after all, Roberto Sandalo, a captured terrorist and friend of Marco Donat Cattin, whose confessions to Turin magistrates last April provoked the entire affair.

West German coalition looks set for election victory

BY ROGER BOYES IN BONN

THE RULING Social Democrat-Free Democrat (SPD-FDP) coalition in West Germany has a powerful 7 per cent lead over the opposition Christian Democrats (CDU) and seems set to win October's general election unless there is a radical shift in voting intentions.

That picture emerged yesterday from the authoritative Allensbach polling institute which found that, while the CDU and its Bavarian affiliate, the Christian Social Union, remained the strongest party with 44.6 per cent, some 44.5 per cent would vote for the SPD and 7.3 per cent for the Free Democrats. Providing the Free Democrats stay in parliament—they need to win 5 per cent of the vote to gain representation—the coalition appears on safe ground.

Dr. Elisabeth Noelle Neumann, head of the institute, said yesterday that the Social Democrats might win an absolute majority in parliament, though this hinged on voter turnout. Many Christian Democrat voters were likely to stay at home rather than vote for Herr Franz Josef Strauss, the opposition contender for the Chancellery.

This is not entirely good news for Chancellor Helmut Schmidt who would come under considerable pressure from his left wing. None the less, Herr Willy Brandt, the party chairman, stressed yesterday that the Social Democrats should try to become the strongest party in the new Parliament.

The small anti-nuclear "Greens" party, which was expected earlier this year to take a substantial slice of the SPD youth vote, now only attracts 2.7 per cent of the vote, according to the institute.

Meanwhile, the "fair play" commission set up by the parties to monitor election tactics, met yesterday to consider its first formal complaint. The CSU claim that a cartoon of Herr Strauss in a Social Democrat newspaper was unnecessarily cruel and misleading.

The Christian Democrats, sensing a certain voter resistance to Herr Strauss, have been particularly active in lobbying for more television time and more balanced coverage. Schoolchildren have been expelled from school in Bavaria for wearing "Stop Strauss" badges and libel suits are common currency.

Herr Werner Schroeter, the film director, has had a case opened against him, saying that he would like to give Herr Strauss a "little bomb disguised as a Bavarian sausage." Bavarian lawyers are suing Herr Schroeter for incitement to crime, glorification of violence and libel.

Swiss aim to cut land sales to foreigners

BY JOHN WICKS IN ZURICH

THE SWISS Government wants to tighten restrictions on property sales to foreigners. Although regulations have been in force since 1961 to stem foreign purchases of land and buildings, the purchases have risen steadily in the past few years to record volumes.

In the period from 1961 to 1978, official figures show 43,960 such transactions with a total value of SwFr 9.73bn (£2.55bn). A major factor in recent growth has been the boom in the sale of apartments to foreigners, particularly in holiday resorts.

The Swiss Ministry of Justice is now to send a totally revised draft of regulations to cantons, political parties and interested organisations for their comments by the end of November. The proposed federal law would replace the existing decree, due to expire in 1982.

The current rules, known as the "Lex Furgler" after the Minister of Justice, forbid foreigners who have not lived in Switzerland for a period of at least five years from buying real estate unless good reason can be shown. However, large-scale exceptions have been made in the case of regions which depend on tourism.

The new draft foresees the fixing of a nationwide quota by the Federal Council every two years and its splitting up into cantonal quotas. It would also become more difficult to buy holiday apartments as a foreigner, while the Ministry additionally hopes to crack down on the loophole purchases via estate agents.

MEPs to act for Gibraltar

GIBRALTAR HAS appointed six British MEPs to speak on its behalf in the European Parliament. A motion to this effect by Sir Joshua Hassan, Gibraltar's Chief Minister, was passed unanimously in the House of Assembly, in the presence of the British MEPs, led by Lord Bethel, writes our Gibraltar correspondent.

Gibraltar has no direct representation in the European Parliament

OVERSEAS NEWS

Bani-Sadr: sinking in the tide of militant Islam

BY PATRICK COCKBURN IN TEHRAN

IRANIAN President Abol Hassan Bani-Sadr's great moment of triumph came last January when he was elected with 76 per cent of the poll. It was also almost the last time he tasted victory. Today he refers nostalgically to his electoral success as if it were a talisman against all the defeats and humiliations of the last six months.

Nothing has gone right. At the time he waa elected, it appeared to his supporters that he was the bridge between a modern democratic state and Ayatollah Khomeini's vision of a fundamentalist Islamic community.

Instead, it turns out there is to be no compromise between the two. "We want Islam, we do not want anything but Islam," Ayatollah Khomeini said last Sunday. Democrats, nationalists, or those who want to mix Islam and nationalism will not be tolerated.

President Bani-Sadr's committed supporters believed in January that he would curb the wilder excesses of the revolution. They hoped he would reduce the power of the clergy, the ruling Revolutionary Council, the Revolutionary guards, and the courts.

The reverse bas occurred. The most important theme of the last six montha has been the demoralisation, purging, and paralysis of the organs of the state. It is the revolutionary institutions which are taking over. The "revolution within the revolution" demanded by the fundamentalist clergy has left little scope for Mr. Bani-Sadr.

Questions which appear so crucial in the West, such as the future of the U.S. hostages or Iran's oil production, are very much a secondary priority while the *struggle for political* power continues. Among politically active Iranians, they are seldom even discussed.

At the time of his election, President Bani-Sadr was particularly popular in the civil service and the army. Their total manpower is 1.1m. Both are now being heavily purged. Since the military conspiracy earlier this month, revolutionary guards have taken over key military commands. Yesterday, the army commander announced that 100 soldiers a day are being purged.

Most ministries are either controlled by the political body of the clergy, the Islamic Republican Party (IRP), or, where Mr. Bani-Sadr's supporters are nominally in charge, they are continually attacked by fundamentalist Islamic societies from within their own ministries.

For an individual or a political party even to look like a potential ally of the President appears to be enough to provoke attacks from the IRP. In the last month, four political partiea have been forced to close their offices. Nationalists, Communists, progressive Muslims are all being gradually driven under ground. Over 1,000 people have now been executed since the revolution

The President has been unable to do anything to defend them. The IRP now stands alone as the one party capable of operating in the open. With every week, its control of revolutionary and state institutiona grows, and that of the Presidency diminishes. Whoever is appointed Prime Minister in Parliament today will find it extremely difficult to reduce clerical control.

Could President Bani-Sadr have reversed this trend? Even *at the time of his election*, hia room for manoeuvre was restricted by the overwhelming authority of Ayatollah Khomeini. Despite the growth of anti-clericalism, the power of Iran's revolutionary leader has been little reduced since he returned from exile.

After the revolution, he was never prepared to be relegated to the semi-divine, but poltically inactive, status which Mr. Bani-Sadr's supporters would have secretly liked. On the contrary, as his bealth improved over the past two months, he began to criticise bitterly everything which had happened since the fall of the Shah.

President Bani-Sadr

Nothing has changed, he has said. The same bureaucrats who had misruled Iran for the Shah were still writing their endless memos on paper with the imperial crest. Education must be made truly Islamic, Ayatollah Khomeioi demanded. At the beginning of this week, he put his decisive weight behind the revolutionary institutions of government, which had originally grown up in February, 1979, when he returned in triumph from Paris.

Ayatollah Khomeini has zigzagged between putting his authority behind the IRP and the President, but the effect of his message is clear backing for the clergy. Led by the astute and very able Ayatollah Beheshti, the IRP has taken advantage of bis every statement to increase their influence.

From the point of view of those who wanted a modernised and democratic Iran, Mr. Bani-Sadr had to play a game which was already half lost when be came to power. Unfortunately for them, he has shown great facility in losing the rest of it.

He tried and failed to reach an agreement to get the U.S. hostages freed. When the universities came under attack—they were *finally* closed on Juoe 4—he first opposed the Islamic zealots and ended up by leading the assault.

Above all, he failed to create an organised political party which could give cohesion to the diffuse popularity which had won him the Presidency. The IRP learns from its mistakes. Badly beaten in the Presidential race, they won a majority in the new Parliament, of which one of their most important leaders, Mr. Akbar Hashami-Rafsanjani, was elected Speaker on Sunday.

The Party's plan, as explained in the secretly tape-recorded conversations of one of its leaders, is to reduce the status of the Presideocy to that "of the king of England." This aim is now near achievement.

In May the President made a desperate last-minute effort to appoint a provisional governmeot and Prime Minister loyal to himself before Parliament met. His attempt was roundly defeated. All his candidates, such as Admiral Ahmad Madani, who came second in the Presidential election, either insisted on unacceptable conditions or were vetoed by the IRP and hard-liners in the revolutionary council.

It was already growing too late for such manoeuvres. At one moment it appeared possible that he would be able to create a tacit alliance with the progressive Muslims of the Mujahedein-e-Khalq, a highly organised force with strong support among the young. But late last month they were denounced as pseudo-Muslims by Ayatollah Khomeini and discreetly closed their offices.

The President attempted to turn the crushing of a military coup planoed for June 9 to his advantage. Instead, the IRP and the clergy have reacted by drastically purging the armed forces, which are largely anti-clerical and contained many supporters of the President.

These political weaknesses of Mr. Bani-Sadr are obvious. But his successive defeats do oot necessarily imply total victory for the IRP. He is, by nature, an optimist, an idealist who will pour out his thoughts in seeming endless speeches, without ever quite conveying to the audience what he thinks or wants.

This is depressing for his supporters, but his inability to known when he is defeated may stand him in good stead. While securing a near monopoly of positions of authority and control of the media, the IRP has, if anything, lost in popularity. Anti-clericalism is growing and *is by no means* confined to the middle class.

Ayatollah Khomeini has an instinct for the popular mood in Iran. It is unlikely that he wishes to see the President resign. He recently expressed his nervousness about the enthusiasm with which the clergy have thrown themselves into politics, sometimes almost abandoning their religious duties.

So long as Ayatollah Khomeini lives, there can be no final victors. When he departs, the real battle for the future of Iran will be fought to a finish. It is the hope of the President and his supporters that they will emerge victorious from such a struggle.

Such a long-term perspective is atractive to all those opposed to the theocratic state now being created in Iran, given their current disarray. But when such a battle does start, Mr. Bani-Sadr may once again find that he has left it too late.

THREE television reporters for British-based organisations were released from custody in Iran yesterday after investigations into whether they were working for American networks, Reuter reports from Tehran. They were given apologies and told they could continue to work in the country, one of the reporters, Mr. Scott Chisholm, of Visnews, said.

Mr. Chisholm was freed with Mr. John Connor and Mr. Simon Maxwell, both of UPI-Television News.

A fire at an oil installation in Kermanshahan Province, Western Iran, blamed by Tehran on shelling from across the Iraqi border, was *extinguished yesterday*.

Japan prepares to ease credit policy

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

JAPAN'S economic policymakers appear to be preparing the ground for the first move away from the tight money policies the country bas followed for over a year, while continuing to emphasise the need to curb inflatioo.

The shift will probably take tbe form of a modest cut in discount rate next month or early in September. This could be followed by a further cut later in the year if the economy weakens as rapidly as some observers now believe possible.

A cut in bank rate, from the peak level of 9 per cent in force since last March, would be welcomed by the Japanese business world, which bas been *asking the Government to loosen* credit "as a matter or urgency."

Government officials continue to claim that the economy is basically firm and that inflation remains a problem. Bnt Mr. Haruo Maekawa, Governor of the Bank of Japan, did admit yesterday that consumer demand was beginning to look patchy and that orders for some Japanese exports, especially steel, have slackened considerably.

The Government's main worry as it prepares for a change of policy seems to be that consumer price inflation, which bas been accelerating for over a year, may not yet be fully under control. Increases in consumer prices in Japan bave been sparked off by the much sharper rise in wholesale prices caused by costly oil imports.

Since the oil price rise now appeara to have been absorbed, it is expected that the year-to-year rise in the consumer index (now up by just over 8 per cent) should start to diminish from September onwards.

Some officials take the view that the Government sbould wait for this trend to show up in the statistics before decidlog about bank rate. Businessmen criticise this view as excessively cautious and likely to lead to an unnecessary deepening of the recession that Japan could face later in the year.

Indications of weakness in the economy include a slackening consumer demand as measured by sales of major department stores, a negative growth rate for car registrations for the past several months, and a slower growth rate in industrial production although the production index still shows some increase.

Capital investment by industry is still growing strongly, particularly in electric power, where a sharp rise in tariffs has stimulated spending. Smaller Japanese companies, however, seem to have been cutting back on their investments.

The official discount rate was raised by 1.75 points in March in the last of five consecutive increases. Part of the motive for the increase was to combat capital outflows from Japan which were being caused by high U.S. interest rates and thus to underpin what was at the time a weak exchange rate.

Since that time U.S. rates have come down and the yen has strengthened considerably in response to a new inflow of capital. One of the main reasons for keeping the discouot rate at a peak level bas thus disappeared.

The new Japanese Cabinet is under pressure to make its mark, and can do this most easily in the short term, by announcing a shift in economic policy.

Dr. Okita

Economics post for Dr. Okita

By Our Tokyo Correspondent

DR. SABURO OKITA, wbo stepped down as Japan's Foreign Minister last week before the inauguration of the Suzuki Cabinet, was yesterday given special responsibility for handling the country's external economic relations.

Dr. Okita succeeds Mr. Takeshi Yasukawa in this post, but is likely to widen the scope of the job.

Mr. Yasukawa, a former diplomat wbo was also a close friend of the late Prime Minister, Mr. Masayosbi Ohira, confined himself largely to dealing with the vexed issue of liberalising procurement by Japanese semi-official bodies such as Nippon Telegraph and Telephone.

Dr. Okita will certainly attempt to resolve this intractable isue, but may also handle other problems. As former head of a government soft loan agency, it is conceivable that aid policy could be brought within tbe scope of his job.

Dr. Okita is an engineer turned economist wbo played a key role in launching Japan's famous "income donbling" policy at the start of the 1960s and subsequently headed a major private economic research agency.

Fewer Zimbabwe workers apply to S. Africa mines

BY BERNARD SIMON IN JOHANNESBURG

WENELA, the recruiting organisation for South Africa's mines, has closed its offices in the Zimbabwean towns of Bulawayo and Fort Victoria, following a sbarp drop in the number of Zimbabwean labourers applying for work on the mines.

Mr. Tony Fleischer, Wenela's chief executive, said the organisation hopes to maintain its recruiting centre in Salisbury. "Provided we are wanted there, we will stoy. We would like to maintain our contacts with *all* traditional snpply areas."

About 6,500 Zimbabweans are at present employed in South Africa's mines, 10 per cent fewer than at the beginning of the year. Tha number of men sent to the mines eacb week has droppd from 250 to 100.

According to Mr. Fleischer, the decline in recruitment stems from black workers' hopes of improved employment prospects in Zimbabwe, now that a black majority Government is in power and minimum wages have been introduced.

Recruitment in Botswana has also fallen steeply from more than 40,000 in 1976 to 19,300 last year. Mr. Fleischer said that this was due to a lower turnover of mine workers, following the introduction of "early *return*" bonuses and re-employment guarantees to workers who complete their contracts.

● South Africa's trade surplus in the first six months of the year totalled R3.4bn (£1.8bn), the Department of Customs and Excise said yesterday. The surplus in the corresponding period of 1979 was R2.3bn.

June's surplus was R419m, *against R60.6m in May*. Bnt exports in June were virtually unchanged from the previous month, and a fall in imports was apparently mainly the result of lower oil purchases.

According to shippers, imports of most other products are rising sharply as the economy moves towards a 6 per cent growth rate this year.

Afghan power struggle grows

BY K. K. SHARMA IN NEW DELHI

PRESIDENT Babrak Karmal of *Afghanistan is reported to have* personally taken over the country's Ministry of the Interior, in the intensified faction fighting between the two wings of the ruling Marxist party.

The continued squabbling between the Parcham (Flag) faction, to which Presideot Karmal belongs, and the Khalq (Masses) faction of the deposed Presidents, Nur Mohammed Tarakki and Hafizullah Amin, *has further weakened* the unpopular Russian backed regime in Kabul.

The Russians, who had initially hoped to recoocile the two wings, bave apparently thrown their weight behind the Parcham faction. Col. Syed Mohammed Gulabzoi, the Minister of the Interior, is reported to have been removed from his job and is now said to be under house arrest.

The move follows the changes over the weekend, in which four more departments were created

In what is described as a major purge of the Khalq faction, the fate of Mr. Assadullah Sarwari, the Deputy Prime Minister—and a Khalq member—is not yet known.

Tension in Kabul has so increased that the Russians have sent armoured vehicles and tanks back to key points.

China oil bureau attacked

BY TONY WALKER IN PEKING

CHINA'S bureau in charge of offshore oil exploration has been subjected to extraordinary criticism in the country's official media, over the sinking of a large drilling rig last November.

The rig, Bohai No. 2, sank during a heavy storm, drowning 72 of the 74 crew. China did not report the disaster. First news of the sinking of the rig was carried in the Western Press early this month.

According to a front-page article in the People's Daily—the Communist party newspaper—yesterday, the families of those *killed* had demanded the maoagement of the Oceanic Petroleum Bureau should "bear responsibility" for the disaster.

The paper described the accident as "unprecedented in the history of oceanic petroleum exploratioo." The People's Daily also disclosed that more than 1,000 accidents had occurred on drilling rigs from 1975-79, causing over 100 deaths.

AMERICAN NEWS

David Buchan and Nancy Dunne report on a damaging drought

End in sight to U.S. heatwave

PRESIDENT Jimmy Carter had the luck to appear rainmaker, when his Monday campaign swing through Dallas coincided with the first rain that Texan City had in a month of 100 degree temperatures. It was part of a shift in weather patterns, climatologists said yesterday, that should now bring to an end the heat wave which has afflicted a wide area from the south west to the the north east of the country.

Some 1,300 deaths have been blamed on the heat, with the highest proportion occurring in the state of Missouri; crops in some areas have been very hard hit, and prices had begun to soar. Mr. Carter ordered some $7m (£3m) of federal money to be spent on issuing fans to the poor, and this week visited a Texas farm to express his commiseration at devastated crops.

The Administration has been able to do little else, except to start reviewing some of its economic estimates of future prices. Its official forecast, made this week, is for consumer prices to show a 12 per cent rise this year and 9.8 per cent next year. But the effect of the past month's drought may prove those forecasts optimistic.

A glut of beef and pork on the market is expected shortly, as farmers have slaughtered animals for lack of feed grain. This could produce shortages later on, perhaps early next year in the case of beef. Food prices, relatively stable this year, could thus take over from interest rates, oil and housing prices as an engine of the U.S. inflation rate.

A variety of crops have been affected by the drought, notably corn, soyabeans and hay, according to the U.S. Agriculture Department. But the Continental heat blanket has also covered large tracts of the Canadian prairies, in Manitoba and Saskatchewan, where U.S. officials predict grain production may be cut in half this year.

Though the prolonged dry spell has hit many individual farmers, its impact on overall U.S. food production will be limited, according to Agriculture Department officials.

Wheat crops, for instance, have been badly damaged in North Dakota and Minnesota, but in neighbouring Nebraska the state is expecting a record 113-116m bushel harvest. The loss of spring wheat may raise prices, only marginally, because the winter wheat crop is predicted to reach a record 1.85bn bushels, up 15 per cent from last year.

Corn production, which was already estimated at 6 per cent below the record 1979 harvest, may suffer significantly from the drought. Mr. Michael Hall of the National Corn Growers' Association, says the corn crop has been hurt particularly by the heat wave's timing, during the pollination period.

Western states such as Colorado, Nebraska and Kansas are expected to suffer substantial losses, while those more to the east—Illinois, Iowa, and Indiana—appear better off.

One neat theory for the drought has been discounted. This was that the big oil spill in the Gulf of Mexico last year reduced the rate of evaporation in the Gulf, and thus the moisture carried north over the U.S.

But Dr. Norton Strommen, chief climatologist at the U.S. Agriculture Department, said yesterday this was nonsense. Summer storms that traditionally water much of the U.S. arise in the Caribbean, he said, and by the time they cross the Gulf, the moisture is already high in the air.

Texas farmer inspects the damage

Caribbean island elects woman premier

BY TONY COZIER

MISS EUGENIA CHARLES, a 61-year-old barrister, has become the first woman Prime Minister in the Caribbean. This follows the resounding victory of her Freedom Party in Monday's general election, the first since independence was granted in 1978 to the former British colony of Dominica.

Miss Charles, a spinster who has been a forceful leader of the Opposition for more than a decade, led her party to 17 of the 21 seats at stake, routing the challenges of Mr. Oliver Seraphine, the incumbent Prime Minister, of Mr. Patrick John, the former Prime Minister, and of the recently-formed left wing Dominica Liberation Movement Alliance.

Mr. Seraphine, leader of the Democratic Labour Party and Mr. John, leader of the Dominica Labour Party were both beaten in their constituencies, an emphatic personal rejection following inter-party dissention and scandals

Miss Charles, the daughter of an influential landowner, describes herself and her party as "liberal, democratic and anti-Communist." The new Government, with its strong business interests, will encourage private enterprise.

It is the third government of the moderate right to be returned to power at the polls in the Commonwealth Caribbean this year following the successes of the Antiqua Labour Party and the coalition Government in St. Kitts-Nevis. It reverses the trend which had brought left wing Administrations to power in St. Lucia through elections and in Granada through a coup d'etat in 1979.

However, Miss Charles's Government faces a difficult future. At the best of times, Dominica has been one of the poorest of West Indian states and, since gaining independence from Britain in November, 1978, it has been troubled by political mismanagement. It was devastated last August by the most severe hurricane to sweep through the Caribbean for a century.

Insurance Exchange rules to be changed

BY CARLA RAPOPORT IN NEW YORK

A NEW YORK State Senate task force has proposed changes in the regulations of the New York Insurance Exchange which are aimed at increasing the business of the three-month-old exchange.

The New York exchange opened on March 31 of this year and since that time it has been estimated that the member brokers and underwriting syndicates have done about $10m (£4.2m) worth of business.

The major recommendation is that the exchange be given wider authority to write insurance for New York-based risks which the task force says "is now flowing to foreign insurance markets in a sharply increasing volume."

Members of the exchange, however, yesterday expressed disappointment that the report dealt only with New York-based risks, as the exchange is soon to face domestic competition from two new exchanges scheduled to open in Illinois and Florida.

In its report, the task force also recommended that the exchange's constitution be removed from the state statute, enabling the board of Governors to make changes without the approval of the state legislative body.

Washington D.C. appeals for financial help

BY OUR WASHINGTON CORRESPONDENT

MAYOR MARION BARRY has appealed to the U.S. Government to step up cash payments for the District of Columbia and to buy its municipal bonds, as the only means of meeting the city's $409m (£171m) budget deficit this year.

His plan will provoke some controversy in the U.S. Congress, which still has a large say in the running of the district, though the city was granted self-government in 1975.

In the last resort, the district's problems are not as serious as those of New York or Cleveland because Congressmen and Senators are unlikely to let services deteriorate sharply in the city in which they spend their working lives. Congress and successive Administrations have accepted their responsibility to compensate the city for housing so many Government departments which do not pay tax.

But Mayor Barry has taken the unusual step of proposing that the city borrow $215m from the Federal Financing Bank, an arm of the U.S. Treasury that buys securities from federal agencies. He also wants Congress to double the $300m ceiling on annual payments from the legislature to the city.

MEXICAN FOREIGN POLICY

Ventures abroad may pose problems at home

BY WILLIAM CHISLETT IN MEXICO CITY

THE VISIT to Cuba this month by Sr. Jose Lopez Portillo, President of Mexico, is the clearest sign yet of Mexico's increasingly vigorous foreign policy, which is creating new areas of friction with its traditional foe, the U.S.

Emboldened by its oil wealth—Mexico's proven reserves of 50bn barrels are the sixth largest in the world—and the political muscle which this is creating, Mexico is shedding its passive foreign policy and projecting itself more forcefully into world affairs.

In the past year, Mexico has played a key role in promoting the cause of the Left-wing Sandinistas in Nicaragua. It has proposed a world energy plan, taken a seat in the UN Security Council and refused to back the U.S. over sanctions against Iran and the Moscow Olympics boycott.

Since taking office at the end of 1976, Sr Lopez Portillo has been to the U.S. twice, the Soviet Union, Japan, China and most of West Europe, but his visit to Cuba has more potential for conflict with the U.S. than any previous move.

Mexico has always maintained good commercial and diplomatic relations with President Castro's regime, in stark contrast to Washington's policies, but it has been careful not to rub too much salt in American wounds.

But the timing of the announcement that the Mexican President would visit Havana, which came at the height of the Cuban refugee exodus to the U.S., could hardly have soothed feelings in Washington.

It was a gesture of solidarity which the Cuban Government greatly appreciated, and a mammoth reception is planned for Sr. Lopez Portillo.

But it is questionable whether Mexico will go so far as to sell oil to Cuba, and relieve the Soviet Union of its tremendously costly burden. Mexican officials insist that the only barrier to such a deal is to work out the terms of an arrangement whereby Russia would supply Mexico's distant European client, Spain, and Mexico in return would export crude to Cuba.

Mexico has the world's largest offshore oilfields in the Bay of Campeche, only 200 miles off the coast of Cuba. It would be feasible to build a pipeline between Mexico and Cuba.

However, Mexico will announce, probably during Sr. Lopez Portillo's stop in Costa Rica, a plan by Mexico and Venezuela will supply oil under special credit terms to Central America and the Caribbean, which could include Cuba.

It is understood that up to 30 per cent of the cost will be in the form of long term financing on very favourable rates.

Sr. Lopez Portillo's administration is also able to use the country's oil wealth to reduce Mexico's dependence on the U.S. By the end of the year, for example, the U.S. will be receiving 60 per cent of Mexico's oil exports, compared with 85 per cent in 1979.

The Mexican Government is always aware that any action which emphasises its differences with the U.S. will be popular. But there are domestic risks inherent in the new course of Mexican foreign policy. Support for movements fighting oppression in countries like Nicaragua, El Salvador and Guatemala might encourage dissident elements at home.

Non-intervention has until recently been the cardinal principle of external relations—Mexico still shies away from such international organisations as the Non-Aligned Movement, OPEC and the General Agreement on Tariffs and Trade (GATT). But in the case of Nicaragua the Government felt, for reasons of self-interest, that it could not sit on the fence.

It campaigned successfully in the Organisation of American States (OAS) to reject the U.S. motion to send a peace-keeping force to Nicaragua. This allowed the Sandinistas to win a decisive victory.

Mexico believes that by helping the Sandinistas it has been able to influence the course of events since their victory. This belief has led Mexico to provide sustained foreign aid to Nicaragua.

Mexico is now turning its attention to El Salvador, which is racked by civil war. But since the conflict there is far more complicated, it has not yet taken sides as openly as it did in Nicaragua.

Fixed rates retained for mortgages

By Ian Hargreaves in New York

U.S. SAVINGS and loan associations, the equivalent of British building societies, have been dealt a potentially significant blow in their hopes to extend the use of floating-rate mortgages by a decision of Governor Jerry Brown of California.

Governor Brown, defying an overwhelming vote in both houses of the California state legislature, has vetoed a proposal which would have enabled the California associations to issue a new type of mortgage, giving lenders unique flexibility, by American standards, in adjusting interest rates in line with inflation.

The associations say they will try to overturn the veto when the proposal goes back to the legislature later this summer.

Governor Brown was under intense pressure from national consumer lobbyists, who see California as a test case. He came down in favour of the argument that borrowers should not be exposed to the risks of interest rate fluctuations.

The associations, of which the largest and most powerful are headquartered in California, argue that they should be permitted a similar degree of freedom in adjusting rates to borrowers as they and competing banks now have in setting rates to attract depositors.

Although this is a battle long since won by the building societies in England, it is a part of the inflationary landscape still not recognised in the U.S.

The Californian proposal would have permitted the associations to issue fixed payment, adjustable rate mortgages. The idea is to retain fixed repayment for borrowers for a period of several years. In later years the borrower would either make higher payments or the term of his loan would be extended.

Bolivians stay away from work

By Mary Helen Spooner in Santiago

BOLIVIA'S capital La Paz remained semiparalysed yesterday as less than half of the city's shops and offices opened on the first official working day following the military takeover on July 15. The armed forces had declared the previous days holidays.

The new Labour Minister, General Augusto Calderon, warned that employees who failed to arrive for work would face dismissal. He also issued a proclamation declaring Bolivian labour unions "in recess."

WORLD TRADE NEWS

Britain now third largest oil supplier to W. Germany

BY ROGER BOYES IN BONN

BRITAIN IS now the third largest exporter of crude oil to West Germany, according to six-month figures released yesterday by the German Economics Ministry.

The rapidly-expanding importance of North Sea oil—despite its relatively high price—partly reflects Bonn's determination to keep Arab oil imports within bounds. The British position has also been boosted by a considerable drop in Nigerian crude exports to Germany.

The principal supplier of crude in the first half of this year was Saudi Arabia, which pushed up exports by 1.7m tonnes to 9.9m tonnes. This has had considerable impact on Germany's trade with Riyadh and Bonn has been urging the Saudis to place more industrial plant contracts with German concerns to balance trade.

Libya is the second most important supplier but Tripoli's exports of crude fell slightly to 8.1m tonnes from 8.4m tonnes in the first six months of last year. Britain pushed up sales of crude from 5m tonnes in the first half of 1979 to 7.2m tonnes in the equivalent period this year.

If this is added to Norwegian imports of 1.6m tonnes North Sea oil supplies total over 8.8m tonnes, and are almost as important as Saudi Arabian crude for Germany. Bonn would like to formalise this relationship through a common West European energy policy which would guarantee levels of supply from the North Sea.

West Germany, almost totally dependent on imported oil is clearly still vulnerable to curtailed production. The Government has been considering ways of recycling oil funds and reassuring OPEC countries to continue extracting oil.

Imports from Iran rose in the first half of this year compared to the first six months of 1979, although the June figures show that imports are slowing down. Iran exported 5.4m tonnes against 4.6m tonnes in the same period last year to Germany and was the fifth most important supplier after Nigeria.

Prices for imported oil were far higher than in the first six months of last year DM 453.62 (£109) per tonne compared to DM 275—but there are signs of slackening.

Indonesia signs Conoco contract

BY RICHARD COWPER IN JAKARTA

A U.S. company has signed an oil production sharing agreement with Indonesia's State-owned oil company, Pertamina, for a 6,500 sq km block on the island of Sumatra.

The contract, which will cost Continental Oil (Conoco) at least US$130m (£54m) is the fourth major production sharing agreement to be signed with Pertamina in the past two months, and reflects a big revival of interest in Indonesia by foreign oil companies.

Under the agreement Conoco is pledged to spend around $90m (£38m) on exploration in the first four years and has also agreed to pay Pertamina a $40m (£16m) bonus for data compensation.

If production reaches 150,000 barrels per day, Conoco will pay an extra $100m (£42m) in production bonuses. Pertamina will receive 85 per cent of the oil and 70 per cent of the gas from the block.

The Conoco agreement follows the signing of contracts with Union Texas of the U.S. and Total of France. The two companies had to spend US$41m (£17m) on exploration in the first six years, and agreed to pay Pertamina over US$11m (£4m) in production bonuses. According to Pertamina, at least three more production sharing agreements will be signed this year.

● Indonesia has begun a feasibility study and site preparation for the construction of a US$700m (£295m) aromatics and petrochemical centre in Plaju, South Sumatra, Minister of Mines and energy Subroto said. He said the Government hopes to form a joint venture with a foreign partner to help finance the plant, Reuter reports from Jakarta.

BP to test drill in Yellow Sea

By Tony Walker in Peking

BRITISH PETROLEUM intends drilling two geological information wells early next month in its survey area in the Yellow Sea despite opposition from U.S. oil companies.

The Americans claim the information drills would give BP an unfair advantage when oil exploration rights are auctioned late this year or early next year. So far foreign oil companies have restricted themselves to conducting seismic surveys in seven areas of the Yellow and South China Seas.

China has announced it will open up sections of the surveyed area to competitive tendering. But it has not yet indicated when they will be called or the terms under which exploration will be permitted.

BP representatives in Shanghai say U.S. opposition to their proposal to put down test drills is curious since most of the big U.S. oil companies have been invited to join in. It expects to complete test drilling by September

BP estimates its seismic survey work in the Yellow Sea has cost about $12.5m (£5.26m). The cost of the information drill will more than double the outlay on the Yellow Sea survey.

The British oil company is operator for 34 participants in the seismic survey now being completed. U.S. oil majors involved in the BP survey include Texaco, Amoco and Mobil.

Chinese officials have been examining conditions set in a number of developing countries, including Mexico and Indonesia, for the exploitation of oil reserves. Oil industry representatives here say it is likely that China has extracted most of the restrictions from regulations set elsewhere and is busily incorporating them in their own.

Fuji in Thai power deal

BY DAVID BUTLER IN BANGKOK

THAILAND'S Electricity Generating Authority (EGATL) has awarded a baht 300m (£6m) contract to the Fuji Electric Company of Japan for the construction of a 150-megawatt lignite thermal power plant at Mae Nob, in the country's northwest.

The plant, which is scheduled to be completed in 1983, will become the fourth in a projected total of nine at the site. The first two plans are already in operation. Together, they produce 150 megawatts, which is about 40 per cent of current demand for electricity in northern Thailand.

Recent discoveries have more than doubled the proven reserve of lignite in the area. Thai authorities now say that when the nine plants are all operational in the late 1980s, they will be producing 1,725 megawatts.

The discoveries are of major significance for Thailand, which is the fifth largest oil importer among developing countries. The head of EGATL Dr. Kasem Chatikavanit said he expected Thailand's electricity-generating power requirements in five years' time to be met "10 to 20" per cent by imported oil, 40 per cent with natural gas from the Gulf of Thailand (which will start to come on stream next year), 30 per cent with lignite and 20 per cent with hydroelectric power.

Some officials believe that continued exploration for lignite might bring the dependency on foreign oil below the 10 per cent level.

TOUR DE FRANCE VICTORY BONUS

Europe sales boost for Raleigh

BY LORNE BARLING

RALEIGH believes it will more than double its sales of bicycles in France over the next few years following the success of its team in the Tour de France event which ended this week.

The company now sells around 250,000 cycles a year in Continental Europe, 40,000 of them in France where a survey conducted after last year's event showed that only about 35 per cent of people knew the name Raleigh.

It is estimated that this percentage has now risen to between 50 and 60 per cent, and the company intends to increase its sales in France to 100,000 cycles a year by 1985.

Raleigh's succes in sporting events has also been partly responsible for a rapid increase of sales in Italy, where competition is extremely tough with around 600 local manufacturers.

The company has established a 250-dealer network in the north of the country, raising sales from an insignificant number two years ago to around 20,000 machines a year now.

"Our success in the Tour de France enhances our image as a modern sporting company and it is bound to increase our sales in Germany, Holland, Switzerland and other European countries" Raleigh said.

One of the biggest markets in Europe is Spain, but import duties there are preventing Raleigh from marketing. However, the company said Spain's accession to the European Community would open up a major new market.

No holds barred in French bid to dislodge Jaguar deal

BY K. K. SHARMA IN NEW DELHI

DOGFIGHT OVER INDIA'S AIR DEFENCES

FRENCH INTEREST in selling the Mirage to the Indian Air Force has been evident as long as India has been seeking what has been called a "deep penetration aircraft."

Just a day before the contract with British Aerospace on the Jaguar was signed, the French Ambassador went to the defence Ministry and offered to buy out the deal and sell Mirage F-1s as an interim step from the French Air Force if India eventually chose the Mirage 2000, France's most sophisticated aircraft.

The Jaguar deal was signed in April, 1979 after a detailed evaluation, made by experts, of the various contenders, including the Mirage 2000 and the Swedish Viggen, preferred the Jaguar and the terms offered by British Aerospace.

The French persisted in their efforts even after the Jaguar agreement. The final offer on the Mirage 2000 was made when President Giscard came as the chief guest for India's Republic Day celebrations last January. France has pursued it vigorously since then.

A programme to modernise India's defence forces was initiated three years ago, largely because arms and equipment of all three branches of the armed forces were fast becoming obsolete.

Since Mrs. Gandhi came to power in January, defence spending has attracted high priority for two major reasons:

Mrs. Gandhi is determined to re-examine all of the deals and projects initiated by the Janata Government which she overthrew, in part as a bid to demonstrate that her political rivals did not take sufficient care of the national interest.

"Destabilising factors" in South Asia, notably superpower conflict over Afghanistan and Indochina have altered the security environment in the region. For this reason Mrs. Gandhi has kept the defence portfolio under her own wing. She has said that when a Prime Minister opts to keep this portfolio, it is for compelling reasons. One of these reasons, it now transpires, is reconsideration of the Jaguar deal.

Much will depend on the terms that the French Government offers India, which is in part why the package includes manufacture of the Mirage 2000 in Bangalore.

As things stand, indications are that the Mirage 2000 package will cost nearly 50 per cent more than the Jaguar deal—controversial because the Air Force has already won a disproportionately large share of defence spending. There are also many arguments from the defence point of view against the Mirage 2000. These include the delay in acquiring a fully-operational deep strike capacity (the Mirage 2000 does not go into production until 1985) plus the probability that Pakistan will also have the French aircraft.

If Mrs. Gandhi, nevertheless accepts the French offer, it will be mainly on political grounds. The French have mounted a major diplomatic and economic offensive in India that started well before Mrs. Gandhi became Prime Minister again last January. President Giscard came to India late in January as Mrs. Gandhi's guest but the invitation was extended long before when the Janata Government was in power.

The agreements that were signed during the French President's visit have been followed up with marked determination by his diplomats and representatives. The result is that France and India are fast becoming major trading partners. Fresh French investment in this country will probably be the largest from any European country in 1980.

France is to set up a 600,000-tonne alumina plant on the eastern coast, help develop the coal industry, take part in India's offshore oil exploration programme and has offered to finance irrigation and power development schemes. The funds for much of this will come from consortia of French banks.

Inevitably, France made a bid to become a major participant in India's growing defence modernisation programme. The French Mirage was the major rival of the Jaguar when the Janata Government was finalising the deal for the manufacture in India of the "deep penetration aircraft."

The French have an interest in the Jaguar but it is now clear that Paris wanted the entire deal. President Giscard successfuly interested Mrs. Gandhi in the Mirage last January when he was accompanied by his senior advisers which included the Foreign Minister and defence experts.

The Jaguar contract has not yet been revised but the Government has given ample hints of its intention to do so. It is a matter of weeks, if not days, before the mutual consultation clause in the memorandum of understanding with British Aerospace is invoked to "review" the contract.

If British Aerospace does not prove to be too difficult, the French will win the deal to make the Mirage 2000, no matter how much controversy or criticism this invites. If they fail, it will only be because the terms are too onerous. India has a serious resource problem and there is much pressure to reduce defence spending although the Prime Minister has repeatedly stated that no price is too high to maintain vigilance on the borders.

This means that out of the overall defence budget the army will benefit from the recent $1.6bn arms deal with Russia, as well as the agreement soon to be concluded with the U.S. on supply of Tow missiles and the development of indigenous arms manufacturing capacity. The Navy is to get Sea Harriers as well as submarines (probably from West Germany).

But the biggest slice goes to the air force which will have the Jaguar, probably the Mirage, and in addition the Mig-23, talks on the manufacture of which are now being held with Russia.

With what the Indian Government says is the increasing super power rivalry in South Asia, there is an over-riding need to maintain maximum vigil. This means keeping the country's defence preparedness at a pitch high enough to meet any security threat.

After all, in the past 20 years India has gone to war with Pakistan three times and with China once. There is the constant fear that history will repeat itself.

UK NEWS

Meeting to look at Sasse rescue

BY JOHN MOORE

A MEETING of all underwritiog ageots has been called for Thursday morning to discuss details of a possible rescue plao for the troubled Sasse underwriting syndicate.

It has been called by Mr. Peter Green, chairman of Lloyd's of London.

The plan, in which the 110 syndicate members might have to bear only £6.25m of their total losses of £21.5m while the balance of the losses is to be absorbed by Lloyd's, will be explained in detail to the agents who look after the affairs of the 13,552 members. Their approval will be sought for the deal.

Under the package a proportion of liabilities could be met by other syndicates within the market. A premium may be paid to the rescuers out of 1981 levies for the central fund—tbe fund of last resort designed for the protection of policyholders—to arraoge guarantee policies.

Under the arrangement it is inteoded that Lloyd's would indemnify syndicate members for any amounts io excess of the aggregate loss of £6.25m for the 1976 underwriting year. All losses on the 1977 underwriting account would be indemnified.

Lloyd's is lookiog for a contribution from uoderwriting agents involved in the complex litigation surrounding the Sasse affair—and this is estimated to be about £1.5m. Lloyd's is also expecting to be entitled to aoy recoveries from tbe syndicate's other litigation with reinsurers.

A High Court hearing scheduled for yesterday, to determine which parties will take part in the planned Sasse legal actioo — due to come to court next January—was postponed until Monday.

Cheaper loans available

EUROPEAN Investment Bank loans to small firms for investment in assisted areas are now 1 per cent cheaper at a 10 per ceot interst rate. Mr. David Mitchell, Parliamentary Under Secretary of State for Industry, anoounced in the Commons yesterday.

Loans totalling more than £2m were advanced at the lower rate last week to a number of companies. Mr. Mitchell said. "I bope it will be possible to hold this rate for the rest of this year," he added.

Thorn sheds pioneer medical company

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE Ultrasound Division of Nuclear Enterprises, one of the companies which pioneered the technique for medical diagnosis, is to be sold by Thorn EMI to ao American company.

The group aooouoced yesterday that it had algned an agreement io principle to sell its Ultrasound activities, to H. G. Fischer, a small Illinois-based company which makes X-ray equipment and had been looking for a way ioto the fast-growing Ultrasound market.

The move, together with the £16m sale of the X-ray scanner divisioo, to General Electric of the U.S., brings Thorn near to its stated aim of withdrawing altogether from medical electronics which proved very troublesome to EMI.

All that remaina to be sold is the U.S. servicing operation, which was dropped from the agreemeot with GE after objections from the U.S. Justice Department and a manufacturing plant at Northbrook, Illinois, which produces the EMI 7070 and 6000 scanners.

Thorn is negotiating with potential purchasers of these operatioos at the moment.

Nuclear Enterprises was bought by EMI in 1976. It has sold more than 800 Ultrasooic machioes throughout the world.

Thorn's managing director, Mr. Peter Laister, told unions that the group had received a number of offers for the Ultrasound divislon but rejected most because they would have meant the closure of the plant in Edinburgh, which houses Nuclear Enterprises' maoufacturing and development team.

Fischer which is understood to be receiving aid of more thao £300,000 from the Scottish Development Agency, will form a new Scottish company to take over the plant and will transfer its existing Ultrasound research team from the U.S. to Edinburgh.

It will also use Scotland as a base from which to sell its X-ray equipment in the UK, Europe and the Middle East.

One of the problems still to be resolved concerns the Ultrasound sales and service team which was merged by EMI with its X-ray scanoer team. The whole team is now working for GE, but Fischer wants some of the personnel transferred back to Edinburgh.

Thorn is to retain the nucleonic instruments division of Nuclear Enterprises based in Edinburgh, at Beenham, Berkshire, and San Carlos, California, but has told unions that about 100 of the 300 jobs in the company will be lost in the breakup and sale.

The inter-unioo works committee at Edinburgh, which bad been campaigning for the company to be kept in ooe piece, said that it was accepting the sale reluctantly, as the only realistic means of keeping the Ultrasound division in being, but would fight aoy compulsory reduodancies.

Unions oppose state industry plan

ALL THE trade unions involved voiced strong opposition yesterday to the Government's plans to break tbe State telecomounications and electricity supply monopolies and to inject private capital in to the British Transport Docks Board.

Mr. John Lyoos, general secretary of the Electrical Power Engineers' Association and secretary of the powerful nine-union Employees' National Committee of tbe Elecetricity Supply Industry, desscribed the proposal to remove the ban on private industry generating electricity as a maio business as "impracticable and rather ridiculous."

If tbe proposal became a reality, the unioos lo the industry would almost certainly oppose it on several grounds, including safety, be said. "We have adequate power stations already and the CEGB plans to build more," commented Mr. Lyons. The Government would do better if it stopped preventing nationalised industry from investing through its cash limits on borrowing powers.

Mr. Lyons said he could not see private industry investing several bundred millioos of pounds in major power stations and he did not see the establishment of small plants to power industrial estates or farming co-operatives as beiog economical.

Mr. Bryao Stanley, general secretary of the Post Office Engineering Union, warned that tbe chaoges in the Post Office telecommuoicatioos monopoly would not benefit customers. He preducted difficulties in compatibility with technology between the Post Office and private companiea as well as division over wbo would be responsible for maintaining equipment.

Changes would also take money away from Britisb Telecomunicationa, badly needed to fund tbe massive investment programme of £1.5bn a year to modernise tbe tlephone network, according to Mr. Stanley.

To the proposals to inject private capital into the Britisb Transport Docks Board, the only commeot from the Transport and General Workers Union was "absolutely disastrous." The British Shippers' Council, representing the manufacturers, exporters and importers using the ports, saw little in the proposals which would affect the efficiency of the BTDB "which has been performing well," but would consider carefully more detailed proposals.

Post Office suppliers were cautiously optimistic about liberalisation, with Standard Telephones and Cables (parent company, International Telephones and Telegraphs) more optimistic than most.

STC said liberalisation would benefit both the industry and tbe customer by creating new services. It was glad that the changes would be brought about gradually to give British companiea time to adjust to new competition rules.

ITT Business Systems said that in the City of Loodon alone it had 300 compaoies waitiog to buy its equipment directly rather than through the Post Office.

Plessey said that if foreign imports were to be allowed into the British telephooe network, there sbould be equal opportunity for UK companies to export their products to Japao, Scandinavia and Western Europe.

Building orders fall

THE LEVEL of new construction orders in May, fell sharply, according to provisional figures from the Department of the Environment.

The value of new work won by contractors during the month fell to £841m in current prices against £945m in the previous month and £941m a year earlier.

On a constant (1975) price basis, the level of new orders in May fell to its lowest point for several years.

Jenkin to detail NHS savings

By Robin Pauley

FINAL DETAILS of National Health Service reorganisation, which will eliminate one administrative tier and save about £30m a year on bureaucracy, will be announced today by Mr. Patrick Jenkin, Health and Social Services Secretary.

Mr. Jenkin is expected to tell health authorities that their management costs must be cut by 10 per cent before the end of 1984-85. Natural wastage will probably accouot for most of the job losses involved, although there has been no commitment on redundancies.

The reorganisation follows discussions inside and outside the health service on the Government's consultation paper for reform, Patients First.

Strong opposition during the discussions to the proposal that community health councils should be abolished is understood to bave persuaded Mr. Jenkin to change his mind. The functions of the councils — voluntary organisations to sofeguard the patients' interests—may be re-examined.

The major change will be the disappearance of most of the 90 area health authorities and health districts. They will be replaced by between 150 and 160 new district authorities by April, 1982.

Membership of the new district authorities is to be halved from 33 to a maximum of 16, with at least a quarter from local authorities, compared with a third.

Hospital managers will be given maximum responsibility including control over their own budgets. Doctors and nurses who moved into management during the last health service reorganisation in 1974 would be encouraged and helped to go back to clinical practice.

Administrators will be warned by Mr. Jenkin that "the serious breakdown in financial control" wbieb happened after the 1974 changes must not be repealed. The 1974 changes were introduced by Sir Keith Joseph.

Nott move after 'dawn raid'

BY ALAN FRIEDMAN

THE GOVERNMENT is considering the need for further legislation to cover the ownership of shares in publicly quoted companies.

Mr. Jobo Nott, Secretary of State for Trade, told the House of Commons on Monday that he would consider the case for statutory change in the light of a forthcoming Departmeot of Trade report on the acquisition by De Beers of a 25 per cent stake of Coosolidated Gold Fields.

Mr. Nott was speaking in response to four questions tabled by Mr. Anthony Nelson, MP for Chichester. The questions dealt with the controversy over De Beers and also with the possibility of new legislation on disclosure of action by a group of shareholders wbo together acquire more than 5 per cent of a compaoy.

Any further legislation would probably take the form of an amendment to the Companies Act, 1980, and would deal specifically with the question of a group of shareholders acting in concert to purchase more than 5 per cent of a company.

Mr. Nott told the Commons he had no doubt that the council for the securities industry will wish to study as soon as possible the report of the Stock Exchange on the matter.

He added that "the strength of a system of non-statutory regulatioo is its ability to ensure that conduct is governed by the spirit, and not merely the letter, of the law."

Hours after the Government annouocement, a private investment company acquired a 29.5 per cent stake in Gough Cooper, the housebuilder, in another "dawn raid" in the Stock Market.

Starwest Investmeot Holdings, a private investment company, authorised stockbrokers Capel Cure Myers to buy 2.3m ordinary shares in Gough Cooper for around £2.2m. The purchase was accomplished in 30 minutes yesterday morning.

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EEC directive contains 'alien' employee proposals

BY ALAN PIKE

THE INSTITUTE of Directors yesterday demanded a united campaign by British companies to force the EEC Commission to withdraw its draft Fifth Directive oo employee participation.

In a sharply worded attack the Institute warned that the EEC directive cootained proposals whioh many people in Britain believed had been buried with the abaodonmeot of the Bullock Committee's proposals almost two years ago.

The proposals were "totally alien to the needs of British companies," said Mr. Walter Goldsmith, the Institute's director general, but there was a danger that they would soon be so far advanced that it would be too late for British opinion to call a halt.

Discussioos with senior Commission officials had, he claimed, demonstrated that they intended to "bulldoze the directive through" as soon as possible. "The directive is well advanced in the European Parliament and will clear the Parliament by Christmas. Every stage it goes through makes its eventual impositioo here more certain. Now is the time to stop it."

As part of its campaign the Institute yesterday published a new policy document, "The EEC Fifth Directive—A Trojan Bullock?" io which it sets out the case against the Commission's proposals.

In the Institute's view the proposals are based upon a fundamental misconception of the nature and role of public companies, take no account of the proper function of boards of directors as understood in Britain and confuse questions of company structure with the quite different issue of employees' rights to participation.

Tyne's £3m order to convert two ships

THE TYNE Shiprepair Group—part of British Shipbuilders—has woo a contract believed to be worth about £3m from P & O to convert two roll-on, roll-off vessels into class 2 passenger ships, each with 20 cabins and capacity for up to 120 freight vehicles.

The work, won against keen European competition, will be carried out at three locations; Wallsend Dry Docks; Readheads; and Middle Docks. The first ship will arrive in the Tyne in mid-September, although prefabrication of bulkheads and deckhouses is already under way, and the work will be completed in six weeks.

A new mid-body section already being built will lengthen the hull of the secood ship which will come into the Tyne io early November for completion in 10 weeks.

P & O would not reveal the names of the ships, not if they were already part of the group's fleet. The conversions, it said, were a prelude to the next developmeot stage in its inter-European shipping network.

Battle of rival lagers goes on

TWO HOURS of talks in the High Court yesterday failed to resolve a dispute over rival lagers between Scottish and Newcastle Breweries and Victoria Wine Company and Allied Breweries (UK).

S and N allege that by the use, under the name "Kestrel," had sought a temporary injunction, effective until full trial of a pending action, stopping Victoria Wine and Allied "passing off" their "Falcon" lager.

S and N allege that by the use of the word "Falcon," and of a device of a swooping bird of prey, Victoria Wine and Allied are causing confosion among consumers.

Victoria Wine and Allied deny S and N has cause for complaint.

The claim for a temporary order was adjourned by Mr. Justice Graham for negotiations for an interim agreement pending full trial. But the two sides failed to reach total agreement.

The hearing will continue today uoless the remaining point in dispute can be agreed.

Decision on Docks Board will mean more room for manoeuvre

BY WILLIAM HALL

THE GOVERNMENT'S decision to sell off up to 49 per cent of its equity of tbe British Transport Docks Board will give the Board considerably more room for manoeuvre.

There are 19 ports under the docks Board's umbrella, ranging from Southampton in the south, to Ayr and Troon in Scotland. Last year they handled 82m tonnes of freight more than a fifth of the total UK port traffic.

The ports have a varied history. Some date from ancient times but most grew in the early railway era. The rallways owned most of them until 1947 when they were taken over by the British Transport Commission.

The 1928 Transport Act established the British Transport Docks Board and most of the former railway ports passed into its control. However, the packet ports, such as Folkestone, Harwich and Holyhead went to Britihs Rail. This anomaly might be cleared up once the Docks Board goes private.

Some Docks Board ports have suffered from the overmanning and outmoded practices which bederil London and Liverpool.

But it is fortunate in baving a large number of small ports where restrictive oractices are less well eotrenched. These ports provide tbe real profits.

Southampton, the docks hoard's biggest port, lost money last year as did Hull. These two ports employ more than half of the board's 11,500 staff. In contrast some of the smaller ports such as Goole, which employs less than 500 people, made pre-tax profits of £1.4m last year.

The board made a pre-tax loss of £1.6m in 1970 but since then it has recovered steadily. Last year it made a net profit of £13.6m after deductiog interest aod providing additional depreciation for ioflation.

At the beginning of the ten-year period the return on capital was 3½ per cent. Last year it was 16.1 per cent. It has agreed a target return of 20 per cent for the current year with tbe Government, which it is uolikely to meet.

Since 1972 the board has been self-financing and bas built up its reserves from £8m to £86m. Its financial strength contrasts sharply with the ports of London and Liverpool—both of which are facing very severe financial crises and have exhausted their reserves.

Now that Felixstowe has been swallowed by European Ferries, the sbipping to property conglomerate, most of Britain's ports are publicly owned in some way. The ooly notable exceptions are Milford Docks and the Manchester Ship Canal Company. Consequently, it is difficult to predict the level of interest in the docks board's share flotation.

The Government will control 51 per cent, so the asset strippers are not going to be interested. Although it is a profitable group, its future earnings growth is unlikely to he spectacular. In addition, it has one big disadvantage—much of its competition is subsidised which is depressing its margins.

Indeed, the hoard, rather than the private investor, is likely to benefit most by any sbare sale.

The Government's intention is for the board to be preserved as a single undertaking and, although it will retain 51 per cent, wants the restrictions of the 1962 Transport Act dropped.

Under tbe new régime the board will be free to acquire other ports or diversify without Parliamentary approval. If it had this freedom, for example, in 1975, it would have been able to buy Felixstowe.

Its new-found freedom also means it will be able to borrow from sources other than the Government. It will not be bound by the restrictions surrounding public borrowing generally.

Kleinwort Benson is acting as merchant bank to the Department of Transport and the docks board. Mr. Norman Fowler, Transport Minister, is expected to introduce legislation to turn the Board into a company in the next session and, if all goes well, a share flotation could be on the cards next year. The timing will be up to the Government.

Probe into role played by accountant

THE ACCOUNTANCY bodies' joint disciplinary committee has established a committee of inquiry into the part played by Mr. C. D. Reynolds, a Scottish chartered accountant, in the affairs of Gilgate Holdings.

This follows the publication of a report by the Takeover Panel in March which coocluded that three Gilgate directors, including Mr. Reynolds, deserved "severe censure" for their conduct in buying more than 30 per cent of the shares without making a bid for the remainder.

Another committee of inquiry has been established to look into accountants criticised in recent Department of Trade reports into a series of companies, including Darjeeling Holdings.

EUROPEAN OPTIONS EXCHANGE

Series		Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	April Vol.	April Last	Stock
ABN C	F.300	3	14	—	—	—	—	F.312
AKZO C	F.20	6	3.60	—	—	—	—	F.23.60
AKZO O	F.22.60	37	1.80	01	2.70	7	2.80	"
AKZO C	F.25	67	0.80	59	1.10	—	—	"
AKZO C	F.27.50	20	0.30	—	—	—	—	"
AKZO P	F.22.50	3	0.60	3	0.70	5	0.90	"
AKZO P	F.25	44	1.90	—	—	10	2.10	"
AMRO C	F.60	—	—	1	10	—	—	F.66.10
AMRO C	F.65	19	3.80	1	5.10	—	—	"
AMRO C	F.70	5	1.50	6	1.80	—	—	"
KODA C	$60	4	2⅝	—	—	—	—	$57¼
HEIN C	F.60	a	3.60	a	5.80	—	—	F.61
HEIN C	F.70	30	0.30	3	0.90	—	—	"
HEIN P	F.60	2	2.60	—	—	—	—	"
HOOG C	F.17.50	60	1.30	—	—	—	—	F.17.20
HOOG C	F.20	15	0.40	—	—	—	—	"
HOOG C	F.22.50	10	0.20	—	—	—	—	"
IBM C	$60	3	7	—	—	—	—	$65⅞
IBM C	$65	—	—	6	4¼	—	—	"
IBM O	$70	11	1¼	—	—	—	—	"
IBM C	$75	7	⅝	—	—	—	—	"
KLM C	F.80	7	0.70	—	—	—	—	F.64
KLM P	F.60	1	5.40	—	—	—	—	"
KLM P	F.70	a	8.30	—	—	—	—	"
NATN C	F.110	21	7.80	—	—	—	—	F.117.40
HATN C	F.120	35	2.60	30	4	—	—	"
PHIL C	F.16	61	3.90	—	—	—	—	F.18.50
PHIL C	F.17.50	67	1.80	41	2.20	—	—	"
PHIL C	F.60	320	0.50	120	0.80	35	1.10	"
PHIL C	F.22.50	64	0.20	—	—	—	—	"
PHIL P	F.17.50	50	0.30	41	0.60	10	0.80	"
PRIL P	F.20	7	1.60	16	2.20	—	—	"
OLIE C	F.150	30	22.60B	—	—	—	—	F.172.60
OLIE O	F.160	22	13.80B	55	14.30B	—	—	"
OLIE C	F.170	370	6.70	157	7.70	06	10	"
OLIE C	F.180	172	2.20	122	3.80	22	5.60	"
OLIE P	F.140	5	0.30	—	—	—	—	"
OLIE P	F.160	e5	0.90	30	1.70	—	—	"
OLIE P	F.160	152	3	—	—	—	—	"
OLIE P	F.170	22	7.30	6	9.60	—	—	"
OLIE P	F.180	24	13.50A	8	14.20	—	—	"
UHIL C	F.120	6	4.60	—	—	—	—	F.122.70
UNIL C	F.130	5	1.20	—	—	—	—	"
UHIL P	F.120	5	5.30	—	—	—	—	"
EXON C	$70	6	3⅞	—	—	—	—	$72¼
		Aug.		Nov.		Feb.		
BOEI C	$35	10	5¾	—	—	—	—	$40¾
BOEI C	$40	—	—	10	4¼	—	—	"
BASF C	DM.140	—	—	10	4.10	—	—	DM139.50
BASF C	DM.150	—	—	—	—	—	—	"
BAZ C	$4e.10	10	¼	—	—	2	2.40	$40¾
MANN C	DM.140	—	—	10	0.70	—	—	DM130
OCCI C	$2e	—	—	e	3⅞	—	—	$28¼
SLUM C	$110	5	13¾	—	—	—	—	$125¾
SLUM C	$120	—	—	2	11	—	—	"

TOTAL VOLUME IN CONTRACTS 2852

C=Call P=Put

ENDING STATE MONOPOLY ON ELECTRICITY

Howell plan 'a political gesture'

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE GOVERNMENT'S plan to eud the state monopoly on the generation of electricity is, to paraphrase Shakespeare, a tale full of sound and fury which in practical terms signifies remarkably little.

Mr. David Howell, the Energy Secretary, announced to a surprised House of Commons on Monday that he was to remove a ban on private companies selling electricity as their main business. Legislation would be introduced as soon as an opportunity arose, he declared.

The Government was determined to make nationalised industries more efficieot and responsive to the needs of the taxpayer and the customer. Strong words, guaranteed to raise a cheer (as they did) on the Tory backbenches.

But, outside the heady atmosphere of Parliament, the move is seen largely as a political gesture — a logical corollary of the Government's "market forces" philosophy. The electricity supply industry is likely to be affected only at margins, with the legislation possibly encouraging the establishment of some combined heat and power schemes on industrial estates.

In theory, Mr. Howell's plan would allow anyone to aet up shop in competition with the nationalised electricity supply iodustry. But it is very difficult to aee any company seriously considering a major challenge to the Central Electricity Generating Board.

A large power station — such aa tbe CEGB's 2000 MW coal-fired Drax "B" — can involve an investment of up to £1bn ur more. Planning permission delays and construction site disputes mean lead times of up to a decade or more before commissioning.

And with Mr. Howell's legislation liable to reversal by an incoming Labour government, no one is going to jump at this chance to throw millions down the drain.

Tbe legislation might have an effect on the construction of smaller power plants to serve specific local needs. But even here, existing legislation allows considerable opportunities for private generation.

Companies are allowed to generate electricity for their own uae aod can sell any excess either to private customers or to the national grid — provided this is not the main purpose of their business.

Maoy companies do produce their own electricity. Private generation accounted for 16.935 GWh in 1978, some 18 per cent of industrial supplies and 6 per cent of Britain's total output.

These companies tend to be concentrated io sectors such as chemicals, paper and food processing where the demand for process steam and electricity is roughly in balance, allowing the process steam first to drive turbo-generators and thus produce electricity at low cost.

The generiion of electricity is thus only an adjunct of these industries' main activities, and they are bardly likely to want to reverse these roles.

The promised legislation might encourage the establishment of compaoies to generate combined beat and power for industrial estates — but even here, any poteotial investor could face difficulties in undercuttiog the CEGB with its economies of scale.

The supply industry itself is adopting a sanguine attitude to Mr. Howell's announcement, although there is some concern that aoy oew private sector competition should not be permitted unfair trading advantages, such as access to regional grants.

However, any private companies which do emerge seem unlikely to provide serious challenge to the nationalised industry. The injection of competition into the sector will thus remain largely theoretic.

Unemployment impact

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE MIDLANDS, Yorkshire and Humberside have been hardest hit by the rise in unemployment over the last year.

Department of Employment figures published yesterday show that the adult seasonally adjusted total has risen 27½ per cent since last September.

The biggest increases since then have come not in areas with traditionally high unemployment rates but in regions where the jobless rates were previously about average.

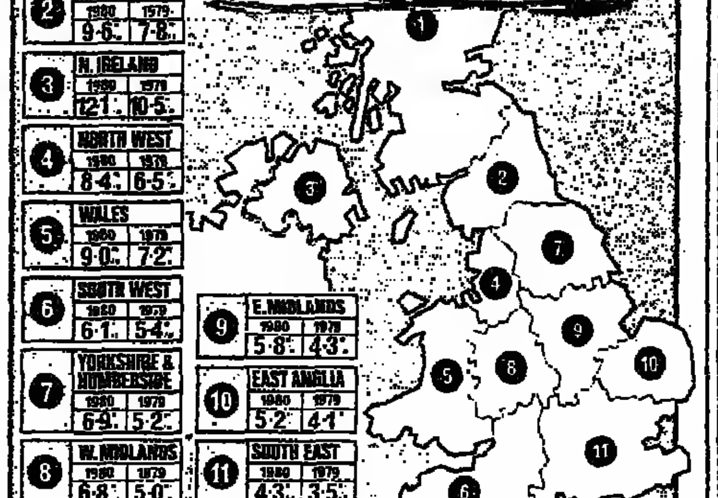
For example, the adult total has increased in the 10 months by betweeo 35 and 37 per cent in the East and West Midlands and in Yorkshire and Humberside. One explanation could be that these regions have an especially big concentration of manufacturing industry which has so far borne the brunt of the recession.

By contrast, the rise since last autumn has been below average in Northern Ireland (up 17.3 per cent); Scotland (up 22.6 per cent), and northern England (up 23.2 per cent).

The increases in unemployment in the last 10 months in south-eastern England and East Anglia have been almost exactly in line with the national trend.

Nevertheless, wide regional difference in unemployment rates have remained with nearly one out of eight workers now unemployed in Northern Ireland and rates of just under a tenth for adults in northern England, Scotland and Wales.

Female unemployment in the last 10 months has increased slightly less rapidly than for men. The female rate is 4.9 per cent nationally, compared with a male rate of 7.9 per cent.



Rift nears in air talks with Canada

By Michael Donne, Aerospace Correspondent

THE POSSIBILITY of a breach in tha Anglo-Canadian air services agreement, which could halt flights between the two countries, has come closer after the failure of the two countries to reach agreement on new air aervices at a recent meeting in London.

The UK has set a "final" meeting to take place in Ottawa on September 10.

The prohlam has arisen over additional air services that each side wants from the other. The UK wants rights to fly into Vancouver, Winnipeg and Calgary from London, and certain other rights from Canada to Japan, and into U.S. cities such as Seattle.

In return, the UK is offering Caneda some onward rights from the UK into Western Europe, and rights across the Pacific to Hong Kong and South-East Asia.

The Canadians, however, are asking for more rights into Western Europe than the UK is prepared to offer, and also for a round-the-world roote via Hong Kong.

The UK feels that these demands are unreasonable. As a result, discussions in both London and Ottawa in recent months have failed to bridge the gap.

If there is no settlement in Ottawa, then the existing Anglo-Canadian air services agreement would bave to be ended, which would mean a halt to all air services between the two conntries.

● Air Europe, the boliday charter airline whicb began operations from Gatwick in May last year, is to recruit 100 more staff.

This contrasts with recent decisions by some other airlines, such as British Airways and Air UK, to lay off staff.

Air Europe says it needs more staff because of its fleet expansion.

● Air Ecosse, the Scottish local service airline, bas asked the Civil Aviation Authority for rights to fly a nnmber of additional routes—between Aberdeen and Belfast, Tees-side, Liverpool, Edinburgh and East Midlands, and between Dundee and Gatwick, Glasgow-Inverness-Wick-Kirkwall-Sumburgh (Shetlands), and Inverness-Aberdeen.

● British Airways is cutting the cost of flying to Mexico City by £139 return, for the peak summer period. The new return fare will be £399 for an Advanced Purchase Excursion ticket.

GKN Fasteners to shed 830 jobs in the Midlands

BY LORNE BARLING

GKN FASTENERS ia to make 830 people redundant in the Midiends. It will close its Thomas Haddon and Stokes subsidiary in Birmingham—and restructure production at its main plant in Smethwick to adjust to falling demand in the bome market.

The company, which employs ahout 3,000 people in the Midlands, said the moves were necessary to "preserve its competitive position in both UK and world markets," following considerable investment over the past few years.

Thomas Haddon and Stokes traded at a loss last year. Management aees no prospect of future improvement so production will cease before the end of the year with the loss of 350 jobs.

"Over a long period the company has suffered from an accelerating rednction in demend for its major product, rolled thread macbine screws, until the point has now been reached where production is no longer viable," GKN seid.

The company said some production lines such as machine screws, which were still in demand, would he transferred to the main GKN fastener works at Heath Street, Smethwick.

However, volume screw production *units* at Heath Street required streamlining and restructuring to improve productivity and this would involve shedding 480 jobs over the next few montha.

"These measures will enable the company to maintain its market in the major products lines of wood acrews, self-tapping screws, machine screws, socket screws and push roda," the company said.

The British Industrial Fastener Federation aaid the UK market for its members' products bad virtually collapsed in early April. It ahowed little sign of recovery.

The federetion thought industry bad increased its stocks before April to gain tax rehatea on stock-in-hand at the time of the budget.

Members bad also suffered because of the problems of the motor industry, which repreaented around 30 per cent of the UK market. Imports from Europe bad also affacted demand.

Near GKN's Smethwick factory, Linread, another fastener manufacturer, bas made 95 of its 650 Birmingham workforce redundant.

Social service cuts 'hit most vulnerable'

BY ROBIN PAULEY

LOCAL authorities were urged yesterday to resist pressure for cuts in social aervice spending.

Mr. David Blunkett, chairman of the Association of Metropolitan Authorities' social services committee, said. the most vulnerabla sector of the community was expected to hear the brunt

"People still talk as if social services are a luxury we cannot afford. We are expected to cut and cut again at the expense *of the frail, the sick and the* handicapped." he told a Social Services Conference in London.

"If we do not stand up and fight for these people, no-one else will. I urge you to go back to your ereas and spell out that aocial services are the most important we have got."

● A study by the London-based Housing Aid Centre (SHAC) into local authority attitudes to the homeless showed that between 197S and 1977 nine out of ten families aeeking help were turned away hy the council they approached. After *intervention* by *SHAC* this *initial* decision was reversed in nearly 40 per cent of cases.

'Advise us,' CAA asks public

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE Civil Aviation Authority is now seeking the views of all interested organisations and individuals on what policies it onght to pursue when the new Civil Aviation Act becomes law later this year.

Under the Act, the authority will be obliged to publish a statement setting out its policies on such matters as route licensing and fares regulation. The first statement must be issued not later than six months after the Act hecomes lew.

The authority says that in broad terms its aim is to ensure continnity of present policies, subject to a progressive evolution of them, rather than make any dramatic immediate changes.

"Civil air transport exists by serving the public. The authority will take full account of the public's needs. It will seek to maximise the opportunities for the industry profitably to increase its shares of the world civil air transport market."

Moreover, it says it will also aim to impose the minimum restrictions on the airline industry or on the users of its services.

"It will encourage the provision of profitable services by British airlines that will foster the development of the UK's trade and tourism."

In particular, the Authority believes thet the time for making arbitrary transfers of routes from one airline to another is now past. Nor does it intend to reserve any particular type of operation exclusively to any one airline or class of *airline*.

"In international markets, wbere foreign operators provide services, it will seek to ensure that the most effective British competition is provided."

Within these broad alms, the Authority now wants to know the views of airlines, consumer groups, Parliamentarians and any other interested parties.

It is inviting their comments, in writing, and asking a number of questions—such as wbether there are any ereas of national interest not yet covered hy the Autbority, and how it cen take hetter care of the public's needs in civil aviation.

Other questions to which it aeeks answers include how the users of air transport see the Authority discharging its duty of making the best possible use of airports—a new duty that will be imposed on it under the Act.

Similarly, it will also be cbarged for the first time with protecting the environment egainst damage from civil aviation, and it wants to know how people feel it ought to go about that task.

From the answers to sucb questions, and the other views expressed (which can be confidential if desired), the Authority hopes to build up a body of information on which to base its first major policy statement, reserving the right to amend it as time goes on.

Brakes on in the truck trade

IN THE WAKE of last week's news that Fodens had *called in the receivers, John Griffiths reports on the* difficulties faced by truck dealers and manufacturers, and on the often desperate measures being taken in the battle to overcome them. He points ont that what is bad for the vendor is not necessarily good for the buyer.

AN OMINOUS aense of *dejo vu* is settling on the makers and sellers of trucks in Britain.

Stories of cut-throat marketing and selling practices are proliferating just as they did in the car trade two months ago.

The downturn in the trucks market has come slightly later than the fall in car salea, hut is hardly less steep, and is expected to continue for the rest of this year. Moat manufacturers do not expect an upturn until the middle of next year at the earliest.

The speed of the declina is *reflected* in this year's *registration* figures: tha first quarter saw aales of trucks and articulated vehicles over 3.5 tonnes up by nearly 1,000 units over the 17,797 aold in the aame period of 1979. March showed ooly a alight fall—from 6,714 to 6,438. But it was e foretaste of things to come: April saw registrations drop to 6,122 from 6,919 for the same month last year. They were down another 17 per cent in May, and the June figure of S,407 is more than 20 per cent down on last year.

The Society of Motor Mannfacturers and Traders (SMMT) has issued a reviaed forecast that the commercial vehicles market overall will fall to 27S,000 units this year from 306,000 last, with a further drop to 255,000 units next year.

Supply pipeline

The consequences are to he seen in a wave of ahort-time working across the manufacturing sector and in its first outright casualty when Fodens, the Cheshire heavy trucks maker, called in the receivers last week.

But the effects bave been rippling out well beyond the manufacturers.

As with tbe cars sector, it takes time—in the case of large makers it can be months—to narrow the supply pipeline. The result is that stocks build up and dealers come under pressure to absorb them. The dealers tbemselves are in no position to maiotain lerge stocks when interest on a £30,000 premium truck, for example, is costing them £400 or more a month. Thus the requirement for them to "move metal" is considerable, quite apart from the need to maintain casb flow for continually rising fixed overbeads.

But with the haulage industry also bit hard by recession, the difficulties of moving that metal bave produced a fierce battle for sales involving "distress selling" techniques which, manufacturers are warning, can eventually only serve to harm the entire indnstry.

In spite of official denials, "lots of BL and Ford dealers" are giving away 18 per cent of an average 20 per cent retail margin, according to one commercial vehicle marketing director.

The distributor of one imported make in the North-East ia reported to be offering one £30,000 artic free with each three purchased, while a variant on that is the dealers offering a small car free with every premium truck bought.

Some manufacturers are lending their dealers a helping band. MAN/VW, for example, which recently started shipping its new medium trucks range to the UK bas aet np an interest-free purchase scheme, subsidised jointly by MAN/VW and the dealer. DAF is offering a similar scheme, but with an 8.S per cent coupon, for its trucks.

But John Jackson, MAN/VW'a UK sales director, is critical of whet he sees as the "commercial suicide" of some current truck-selling tactics. His own organisation is prepared to assist dealers with most things except direct cash subsidies; this help usually takes the form of promotional end manegement edvice. "The dealers heve simply got to work barder at selling — that means things like direct mail shots, and actually getting round and seeing local industry, not, as aome outlets have tended to, sit hack in the showroom and bewail the fact that husiness is falling off."

The perceived dangers of desperate discounting are not just to the vendor: while there may appear to be no time like the present for getting a good deal, the huyer of trucks at rock-bottom prices could face problems of service back-up with dealers who bave sheved margins too close to the bone, as well as less than sympethetic treatment at the next trade-in time when conditiona for the dealer have improvad.

In addition Ford, for example, argues that heavily discounted new aales tend to depress the aecond hand market so heavily that the customer ultimately makes little net gain.

The Road Haulage Association, whose members account for a large slice of commercial vehicles purchased in the UK, shares some of this concern at what it describes as the current "fairground mentality" at the truck retailing level.

Downward curve

In spite of the scramble for sales, it suggests that mucb of the haulage industry is in no shape to snap at the carrots being offered. The recession bas aeen a 10 per cent fall in baulage activity to 1971 levels. This is still dropping sharply, and abont 5 per cent of the baulage industry bas gone bust.

"The industry is on e downward curve and it is getting steeper all the time," said an association spokesman. "Drivers are being laid off and about 10 per cent of vehicles are being laid up. It is hardly surprising that new vehicles are currently well down the list of priorities."

Apart from would-be buyers who actually want to replace vabicles but can't afford it, many otbers are believed to have budgeted for replacement, hut are still bolding out for the long beralded further fall in interest rates.

To some extent, those in this position have conaiderable flexibility. A substantial amount of essential replacement has already heen carried out by the industry. Indeed, tha laat couple of years have becn good ones for the truck makers.

But whether to huy or not remains a fine judgment, the corollary of waiting for interest rates to fall being the possible fading of the current high discounts being offered.

Nevertheless, the SMMT believes it will taka more than another couple of percentage points drop in MLR before such buyers come down off the fence.

Retraining for textile workers

YORKSHIRE industrialists are heing asked to co-operate with the county council to establisb a new retraining scheme for redundant textile and clothing workera.

This follows a recent visit to West Yorkshire hy Mr. James Prior, Employment Secretary. Mr. Prior invited the county council to submit proposals for retraining facilities for textile and clothing workers with the possibility of financial belp from the EEC.

County councillor Mr. John Holt, chairman of the council's employment sub-committee, said that although the initial appeal to industrialists concerned Huddersfield and heavy woollen districts he also wanted to bear from companies outside the textile field.

More battered families

RISING unemployment coupled with cutbacks in Government spending on social services is leading to more battered wives end children, says the Netional Women's Aid Federation in its annual report published yesterday.

The federation said, "with the economic situation as it is, with a lot of unemployed men at bome, more pressure is created within the family, and an already violent man has more opportunity to take it out on his family."

APPOINTMENTS

Lloyds Bank group changes

Sir Lindsay Alexander and Sir Bernard Scott are to become deputy chairmen of LLOYDS BANK on December 1. Sir Michael Clapham will retire as deputy chairman of Lloyds Bank and Lloyds Bank UK Management at the end of December but will remain a director of both companies. Sir Lindsay retires as chairman of Ocean Transport and Trading on September 30. Sir Bernard retired from the chairmanship of Lncas Industries last March.

On December 1, Sir Lindsay will take over tbe chairmanship of Lloyds Bank International from Sir Jeremy Morse, who will become deputy chairman. Sir Bernard is to he vice-chairman. Sir Jeremy, who is chairman of Lloyds Bank, was recently made chairman of the Committee of London Clearing Bankers.

Sir Beroard will be appointed depnty chairman of Lloyds Bank UK Management at the beginning of December and Sir Lindsay will be vice-chairman.

At the annual general meeting of Lloyds Bank in April, 1981, Sir Michael Wilson will retire from his vice-chairmanship of Lloyds Bank and of Lloyds Bank UK Management and from his directorships in the Lloyds Bank Group.

Sir Philip Rogers bas been appointed a regional director of the Greater London regional Board of Lloyds Bank, which sits at Berkeley Square under the chairmanship of Lord Lloyd. Sir Philip was chairman of the Outward Bound Trust from 1976-80.

★

Mr. A. M. Russell, former treasurer and general manager of Bank of Scotland, bas been appointed cbairman of CENTRAL TRUSTEE SAVINGS BNK in succession to Mr. Andrew Rintoul, who has retired. Mr. C. E. McCully, cbairman of the Trustee Savings Bank of Wales and Border Counties, and former general manager of Lewis's Bank, has been appointed deputy cbairman.

★

Mr. John D. Milne bas been appointed managing director of the AUSTRALIA AND NEW ZEALAND BANKING GROUP from November 1. He will succeed Mr. Mac Brunckhorst, who retires at the end of October. Mr. Milne, who hecame a director of the Bank last April, will he succeeded by Mr. Alwynne G. Kilpatrick as general manager, corporate banking. Mr. Bruce B. Dickinson will take over from Mr. Kilpatrick as assistant general manager, funds management.

★

Mr. John F. Harrigan is to become cbairman and chief executive officer of UNION BANK, California, from July 31. He will sncceed Mr. Harry J. Volk, who is to be chairman of the executive committee of tbe Board of Union Bank from that date. The parent concern is Standard Chartered Bank.

★

Mr. Derek E. Wilde, chairman of Keyser Ullmaon Holdings, bas been appoloted a director and non-executive deputy chairman of tbe CHARTERHOUSE GROUP. The bid by Charterhouse for the wbole of the issned sbare capitsl of Keyser Ullmann Holdiogs became unconditional last Monday.

★

Sir Terence Beckett bas joined the Board of the ECONOMIST NEWSPAPER and Sir John Sainsbury has resigned from the Board. Sir Terence is chairman aod managing director of the Ford Motor Company aod a director of Imperial Chemical Industries.

★

Mr. Reindert Marsman has been appointed a director of WINTRUST SECURITIES merchant bankers. Until his retirement he was vice-president and general manager of the London regiooal office of the Bank of Nova Scotia.

★

Mr. Ralph French, head of the East European Department of IMPERIAL CHEMICAL INDUSTRIES, bas been elected chairman of the executive council of the BRITISH-SOVIET CHAMBER OF COMMERCE.

Proposals for a unified Budget

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A UNIFIED Bndget combining public spending and tax proposals and presented much earlier than now ia the central recommendation of a report published yesterday by a committee of politicians, former Treasury officials and economic commentators.

The report comes from the Committee on Budgetary Reform which has been sponsored by the Institute for Fiscal Studies, an independent research body. The inquiry was chaired by the late Lord Armstrong of Sanderstead, who died earlier this month after the report was completed.

The committee was established just over 18 months ago after considerehle discussion about the failings of the present budgetary system. The work of tha committee was financed by the Committee of London Clearing Bankers.

Apart from Lord Armstrong, its members included Mr. Seumel Brittan of the Financial Times, Mr. Brian Hudson of Nordic Bank and a former Treasury official, Professor Robert Neild of Cambridge University, Mr. John Pardoe, a former Liberal MP, Mr. John Roper, a Labour MP, Mr. Robert Rhodes James, a Conservative MP, Mr. Terry Ward of Cambridge University and Mr. Stanley Wright of Lazard Brothers and a former Treasury official. Mr. Melvyn Westlake of the Times acted as full-time secretary of the committee. Mr. Nigel Lawson was on the committee before joining the present Government.

The committee proposes the disappearance of tha Budget as it is at present known from the Parliamentary timetable. Instead, the Government's proposals for spending and tax over the medium-term should he first publlahed in December, rather than in March or April as at present.

The aim of the proposals is "to establish a simpler, more coherent and lucid framework for formulating and preaenting fiscal policy, which is entirely *neutral as between political* and economic persuasiona."

The committee notes that, at present, it is usual for tax and expenditure decisions to he taken at different times, presented in different documents and calculated in different units of account.

This leads to several defects. In particular, the traditional separation of expenditure end tax decisions has often made it difficult to establish a clear budgetary constraint—that is to see when, *beyond* a certain point, more spending means more taxation.

The report discusses the innovation in the 1980 Budget of bringing tax and spending proposals together. But this was an accident of timing, caused by the late round of spending cuts. Moreover, the system of measuring expenditure was unchanged and there was no discussion of tax strategy, nor any change in budgetary procedures and in the parliamentary timetable.

Among other defects in the present system quoted are the inherent discouragement of the adoption of a medium-term tax strategy. There is also the failure of the present method of "constant survey price" planning of expenditure to measure the real cost of programmes and hence to provide a true indication of their tax implications.

Consequently, the committee proposes the adoption of a unified budget. This sbould fulfil the main requirements of providing an economic framework in whicb to formulate and present tax plans alongside public spending plans for the medium aa well as the short term, a change in timing so that tax and spending plans are presented together, and the provision of a period after the Budget is first presented to permit consideration in Parliament and outside of economic and fiscal policy.

In detail, the committee recommenda that the Government should present a provisional hudget to Parliament each December, setting out estimates of tax revenua and other public receipts over a comparable period to that covered by the expenditure plana and containing one or more sets of tax proposals for achieving the objectives of economic policy.

The tax proposals and estimates should he based on stated assumptions about (or objectives for) future national output and public sector borrowing. The tax estimates ahould assume indexetion and take account of any strategy for changes in the pattern of taxation and the distribution of the tax burden.

The December document would be an amalgam of the annual public expenditure White Paper, amplified to include tax projections and tax policy, and the Financial statement and budget report.

Near the start of the financial year in April, a second document, forming a sequel to the first, should be published, containing firm proposals for the coming financial year.

A common method of measurement should he introduced throughout the budgetary system, using a general price index so as to permit expenditure plans to he compared with actual or planned expenditure of previous years, with the eventual out-turn and with the estimates and actual figures for receipts.

All income tax bands and allowances and the specific duties sbould be automatically indexed by reference to the general rate of inflation each year, and cbanges in the tax retes should be presented by reference to the indexed rates. A similar approach might be applied to other parts of the fiscal system.

At least six months before technical changes are tabled for first reading, they should he published in the form of exposure drafts.

There should he a full dehate in the Commons on the basia of a "take note" resolution when the provisional Budget is published in December and a further debate, based on budget resolntions, at the time of the revised budget proposals in March or April.

Budgetary Reform in the UK, report of a committee chaired by Lord Armstrong of Sonderstead, price £3, from Oxford University Press for the Institute of Fiscol Studias.

Timetable of Budgetary Procedure

PRESENT

April to June	Review of existing public expenditure volume plans by Public Expenditure Survey Committee, followed hy submission of report to Cabinet.
July to November	Cabinet decides oo spending plans np to four years ahead. Main focus of attention on coming financial year and the subaequent ona.
December or January	Publication of public expenditure White Paper setting out the volume of expenditure planned for four years ahead in terms of constant pricea.
January and February	Consideration of White Paper hy Parliameotary select Committees, followed by report.
March	Ooe- or two-day debate in tha Commona on White Paper.
March or April	Presentation of Budget for the next 12 months, setting out tax proposals and summary details of expenditure (at current prices). Publication of the main Supply Estimates, datailing amounts of money to be spent by Government in the coming year. Four-day debate on Budget resolutions, followed by publication of the Finance Bill containing the tax proposals.
April to July	Detailed consideration in Parliament of Finance Bill.
July or August	Enactment of Finance Bill, Snpply Resolution and Consolidated Fund (Appropriation) Bill presented and passed, providing Government with formal authority to spend the amounts detailed in the Supply Estimates. Resulting Act also allows Government to spend sums of money—requested in the Summer Supplementary Estimates—additional to that allowed for in the Supply Estimates.
December/ March	Presentation of any further Supplementary Estimates.

PROPOSED

April to Juna	Tha same as now.
July to November	The same as now plua parallel treatment of tax proposals within the Government.
December	Publication of the provisional Budget proposals in a single document, comprising tax and expenditure figurea for the year ahead, together with public expenditure plans and estimates of tax revenue over the mediom-term; and short and medium-term economic assessments (all tax and expenditure estimates being expressed in terma of a common unit of account). Two- or three-day debate on the basia of a "take-note" resolution.
January and February	Examination of Budget proposals by Treasury and other departmental committees, followed hy a single report.
March and April	Presentation of revised Budget proposals for the next 12 months. Two- or three-day debate on Bndget resolutions, followed by publication of the Finance Bill and the main Supply Estimates.
July or August	Enactment of Finance Bill before aummer recess. Supplementary Estimates presented, together with statement of any adjustment in cash limits to allow for changes in inflation. Supply Resolutions and Consolidated Fund (Appropriations) Bill presented and passed.
October	Possible time for the publication of ancillary fiscal Bill (for an experimental period), setting out minor tax proposals.
December/ March	Presentation of any further Supplementary Estimates.
January	Possible time of enactment of ancillary fiscal Bill.

Source: Report of Committee on Budgetary Reform.

UK NEWS—PARLIAMENT and POLITICS

Shouting ancient battle cries, Labour troops advance

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE BIG SET-PIECE battles in the Commons frequently turn out to be curiously bloodless and inconclusive. The Opposition plans its effensive meticulously and the Gevernment counters with a well considered defensive strategy. As a result, these occasions are often robbed of any spontaneous drama.

This was certainly the case yesterday with Labour's much beralded attack on Mrs. Thatcher over the latest unempleyment figures which show a record number of 1,896,634 ont of work.

Instructions had gone out for the Labour troops to synchronise their watches and be ready to advance at 2.30 pm. They were drawn to face Mr. James Prinr, the Employment Secretary, when he entered the Chamber for Question Time.

From then en they marched and counter-marched with the formal precislon of 18th century warfare. Shouting their ancient battle cry "Resign, resign," Lahour MPs—aided by a few Liberal skirmishes—advanced on Mr. Prier, fired their muskets and retired.

The medium artillery on the Opposition Frout Bench pounded away dutifully with the salvoea heing fired eff by Mr. Erie Varley, Labour's Employment spokesmen, Mr. Harold Walker and Mr. John Grant.

When this had no effect, Labour switched tactics and tried to drive a wedge in the Government ranks. Mr. Grant suggested that the Employment Secretary shonld stop posing as the "Mr. Clean of the Cabinet" and publicly dissociate himself from the Government's policies. ... ...

Bnt an eld campaigner like Mr. Prior was not lo he taken in by auch a well worn stratagem. "Of course this Government is responsible and I am prepared to take that responsibility," he reic?ed.

The Opposition was, however, holding hack its main fire for the Prime Minster herself. As she imperturbably took her seat there were Opposition shouts for her resignation and some rather muted cheers from her own hackbenches.

She deggedly sonewalled the Labour sallies. The Government had ne intention of printing aoitcase meoey. There were no miracle formulas.

Battle fatigue seemed to set in as the Labour rank and file became bogged down in demands for the restoration ef a bewildering variety of employment programmes — the werking bonus scheme, job support, temporary employment.

At this erucial peint, Tory morale was given a boost when Mr. Enoch Powell (Ulster Unionist. Down, Sonth) the former Conservative Cabinet Minister, gave his fnll endorsement to the Thatcher strategy. The Government hackbenches sprang to life with a full-throated roar nf approval.

With only a few minutes te go, Opposition Leader Mr. James Callaghan entered the fray bnt this time he was playing the elder statesmeu rather than the battle scarred warrior.

He called on the Prime Minister to repent and consider alternative policies including a redoction in interest rates, an expansion of the economy and an increase in public spending.

This last suggestion only served te unite the Conservatives more solidly behind their leader.

At the end of the day, little blood had been drawn and the Government's defensive perimeter was still intact. Hostilities will be resumed when Labour's vote of censure on the Government is debated. Given the Conservatives snperiority in nnmbers, it now seems that both sides have dug in for a long period of trench warfare.

Thatcher rides out storm on jobless

BY IVOR OWEN

OPPOSITION DEMANDS for fundameotal changes in the Government's economic policy were flatly rejected by the Prime Minister in the Commons yesterday when she rode out the expected storm of protest following the announcement that the numbers unemployed in the UK now totalied 1,896,634.

Mrs. Thatcher, greeted with shouts of "resign" and "out, out" as soon as she entered the chamber, repeatedly battled against uproar to underline her determination not to depart from mooetarist principles.

The fight against inflation must come first, she insisted, and a short-term rise in unemployment could not be avnlded.

While describing the latest unemployment figures as "distressing," the Prime Minister emphasised "it is no earthly good looking for a miracle formula.

"There is net any."

Outright demands from the Labour benches for the abandonment of existing policy and carefully worded pleas from Tory benckbenches for some moderated variant met the same resolute rejection from the Prime Minister.

Mr. James Callaghan, the Opposition leader, seized ôn an admission by Mr. James Prior, the Employment Secretary, tbat the unemploymeot situation is likely to get worse before it gets better, to reinforce his call for a change of course.

He defined Governmeot policy —which will come under renewed attack in a full dress censure debate in the Commons next week—as an attempt to control prices simply by closing factories and throwing people out of work.

To Lahour cheers, Mr. Callaghan protested: "Men and womeo and young boys nd girls are being thrown out of work through oo fault of their own.

"They are being handoned the the Governmeot as a result of its policies."

He argued that the unprecedented rapidity in the ltest rise in unemployment made the case for the Government considering alteroative policiea all the more compelling.

Mr. Callaghan contended that the Government should have reduced interest rates and permitted an increase in public expenditure so that there could have been some expansion of the economy in order to avoid much of the increase in unemployment which had occured over the past 15 months.

Ignoriog the jeers of Tory MPs, he maintained that if Mr. Thatcher could only bring herself to co-operate with the trade unions she could still hope for some of tbe success achieved by the Lahour Government in tackling infltion and unemployment.

Mrs. Thatcher retorted that Mr. Callaghan was advocating deficit financing to produce artificial jobs even though he knew it would eventually lead to still higher unemploymeot.

Amid Tory cheers she declared:: "It is a course which I reject and must reject because it would lead to hyper-inflation and hyper-unemploymeot."

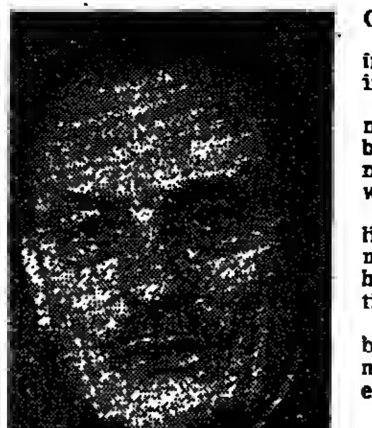
Unqualified support for the Prime Miinater came from Mr. Enoch Powell (Ulster Unionist Down, South). As the Tory backbenches roared approval, he urged the Prime Minister to "take the opportunity today and every day to make clear to the country as only you can that the courses which are being commended to you from the official Opposition and hy many other voices mean nothing else hut a deliherate return to hyper-inflation."

Nodding in agreement, Mrs. Thatcher stressed: "You cannot create genuine jobs by printing money—that way you only produce suitcase mooey and even bigher unemployment."

While reaffirming his support for the nverall economic strategy, Mr. Nicholas Winterton (C., Macclesfield) warned of the danger of Britain's industrial base being undermined hefore the Government'a economic policies came to fruition.

There were shouts "come over here" from the Labour henches wher he urged the Government to consider iotroducing selective import controls to protect industries hardest hit by unemployment.

The Prime Minister assured him thatthe Government took vigorous action to counter dumping, hut pointed tn the danger ef retallation if the Government imposed import restrictions on a wide range of goods.



Powell: unqualified support for the PM

If that were to happen, she said, Britain would lose more johs tban would be saved.

Mr. David Steel, the Liheral leader, asked if the Prime Mioister still held the view that the Government was not dellberately creating unemploymeot.

"If so," he scoffed, "the only alternative explanation is that you do not understaod the consequences of your actions."

Mrs. Thatcher reminded him that inflation had "peaked" at a lower level under the present Government than under Labour.

Short-term increases were inevitable in the course of fighting inflation.

"The alternative is to print mooey and have very much bigger increases in unemployment in the long run, which we will not do."

The Prime Minister nnderlioed the fact that Britain's manufacturing industry had become increasingly uncompetitive over the last three years.

The main reason for this had been high iocreases in wages not matched by increased eutput.

The first wave of tbe Labour attack over the latest rise in unemployment was directed at Mr. Prior.

Mr. Eric Varley, Labour's Shadow Employment Minister, argued that the "tragic" figures published earlier in the day were the inevitable outcome of the Government's dogmatic and doctrinaire policies.

He told Mr. Prior that it was no good expressing regret about the situation and displaying a "hleeding heart."

Mr. Prior retorted that Mr. Varley did a disservice te the unempleyed by suggestiog that the situation could he put right simply hy increased Government speoding.

Amid Tory cheers, he asserted: "To produce just a few extra jobs now at the expense of preloogiog our industrial weakness and soundly based jobs in the future is no help to this country and no help to the unemployed."

Strategy on public sector borrowing criticised

By David Marsh

THE GOVERNMENT'S strategy of setting rigid medium term targets for public sector horrowing was yesterday criticised by a prominent economist giving evidence on mooetary policy before an all-party committee of MPs.

Professor David Laidler of the University of Westero Ontario, told the Treasury and Civil Service Committee that he welcomed the Government's commitment to fight inflation through a progressive reduction in money supply growth.

But be said it waa not necessary for the Government to set dual targets io its medium-term monetary plan for both money supply growth and public sector borrowing.

Taking into account that the borrowing requirement had already been reduced substantially in real terms since the mid-1970s, "there is no strong, necessary, logical connection between the two sets of figures," Professor Laidler said.

In the present circumstances, he said the Government had ample room to "massage" the horrowing requirement either upwards or downwards from its published target. The exact figure was no longer a central element in economic control.

Prof. Laidler said it was crucially important tbat the Government should commit itself to putting "gentle downwards pressure" on money aupply growth. This was more important than sticking to "rigid quantitative targets" for particular monetary aggregates.

Change in MPs' pensions and pay may require new law

BY ELINOR GOODMAN, LOBBY STAFF

MR. NORMAN ST. JOHN STEVAS, the Leader ef the House, is expected to make a statement next week spelling out what the Government intends to do about the pay and pension improvements which MPs voted themselves late on Tuesday night.

They included a change in the basis for calculating MPs' pensions which would put MPa in a very unusual position, compared to other workers, and might require legislation to implement.

MPs reluctantly went along with the Government's recommendations to accept a reduction in the salary increase proposed by Lord Boyle's Top Salary Review Board.

But, in an attempt to prevent the Government using MPs' pay to set an example for the nation again, they went on to vote hy 225 to 259 to link their salaries in future with a Civil Service grade.

The amendment did not specify which grade or when the change should be made. The idea of linkage was narrowly approved by the House in 1975 and the idea then was to link MPs' pay with that of an assistant secretary. Since then, however, Lord Boyle has rejected the idea as unworkable.

Tuesday's vote was not binding on the Government, it is only an expression of the will of the House. But Ministers are already unpopular with the executive of the 1922 Committee of Conservative hackhenchers for ignoriog the wishes of MPs, and there would he a storm of protest if the Government refused to implemeot this change.

MPs also voted themselves improved pensions cooditioos. In one amendment, they increased the notiooal salary on which pensions are hased to the £13.750 recommended hy Lord Boyle.

In another amendment, they voted for an increase in the rate at which pensions are accrued from 1/60tb of annual salary to 1/40tb. This is a higher proportion tban under most pension schemes, though MPs rarely stay in the House for all their working lives.

In a final act of independeoce, MPs also voted for an increase in the secretarial allowaoce, taking it up to £8,000 instead of the £7,400 which the Governent had proposed.

Move on boundary changes

THE GOVERNMENT is considering legislation to basten the re-drawing of Westminster constituency houndaries by 1984.

Lord Belstead, Home Office Under-Secretary, told peers yesterday the Gevernment was concerned that the European Assembly Elections Act of 1978 required the Commissions for Englaod, Scotland and Wales to review European constituencies hefore those of Westminster.

The Government was now "considering the case" for amending the Act to permit the commissions to submit tbeir proposals for correcting the present "serious disparities" in Westminster electorates as soon as they have completed them.

Lord Belstead said the latest possible date under the law that the commissions could complete their Westminster review was spring, 1984.

Solicitors attack petrol tax plan

BY ROBIN PAULEY

THE GOVERNMENT bas been sharply criticised by the Law Society for proposals which will allow cbanges to petroleum revenue tax witbout an appropriate piece of legislation.

In the last Budget, Sir Geoffrey Howe, the Chancellor, announced that oil companies would be required to make ae advance payment of PRT of 15 per cent, based on 1980 liabilities.

At the same time, PRT was raiaed from 60 per cent to 70 per cent, to raise an extra £350m for the Excbequer this year.

The advance payment should raise an additional £200m and was regarded by oil companies at the time as a yet further increase in the tax because ef the loss of interest and the cash flow problems that advance payment would cause.

The Government now proposes in the Finance (Ne. 2) Bill that the degree of advance payments should be adjustable without oeeding further legislation.

The Treasury would be empowered to alter tbe 15 per cent figure at any time simply by statutory instrumeot.

The Law Society objects strongly to this proposal and its rebuke is a great embarrassment to the Government as it implies that attempts are being made to circumvent the proper legislative procedure.

Although alterations by statutory instrument need a draft to he laid before the House of Commons and Commons approval, the procedure is normally a technicality

Howell's warning on energy

By Ray Dafter, Energy Editor

THE ENERGY problems of the next decade spell danger "on all fronts," accordiog to Mr. David Howell, Energy Secretary.

At best, Western countries would face an uocertain and perhaps uncomfortable ride. At worst, energy problems could pose a threat to political stability in the whole world, he told the Royal Institution of International Affairs in Londen yesterday.

Mr. Howell said he hoped the Organisation of Petroleum Exporting Countries would play a stabilising role.

The receot Veoice Summit of Western leaders indicated the willingness of the developed world te engage in constructive discussions with oil producers. "I hooe that the OPEC countries will be able to respond."

The Energy Secretary pointed out that a 10 per cent rise in oil prices resulted in a $25hn deterioration in the annual current account of countries within the Organisation fer Ecooomic Co-operation and Development (OECD). Such a price rise also reduced the Gress National Product of the OECD nations hy 0.4 per cent after one year and resulted in an overall iocrease in prices of around 1 per cent annually.

Even so, oil prices were hound to rise further, towards the prices of alternative energy sources, said Mr. Howell.

Ministers to discuss Meriden's fate

BY ELINOR GOODMAN, LOBBY STAFF

MINISTERS FROM the Departments ef Trade and Industry are expected to meet over the next few days to see if there is any way of helping to facilitate the transitien of the Meriden motorcycle cooperative back intn the private sector.

The signs are, however, that Armstrong Equipment has put too high a price en its rescne operation. Ministers do, though, seem prepared to negotiate with Armstrong and there is concern ameng some of them at the political implications ef allowing Meriden to go bankrupt. Armstrong may be asked shortly whether they would consider revising the lerms of their offer.

Armstrong has told the Department nf Industry that it is only prepared to take over Meriden if the Government agrees to waive the £11.9m it owes to the Government.

Just under half of this is is owed to the Export Credit Guarantee Department, and it is this part of the package which looks like creating the higeest problems.

When Armstrong first launched its takeover for Meriden last month, it made it clear that this was conditional on the Department ef Industry waiving the £4.2m in loans and £1.65m in interest charges owed to it by the cooperative.

Ministers at the Department ef Indnstry seemed reasonahly hopefnl that they might be ahle to persuade the Treasury on the grounds that the Government wonld stand te lose as much if the cooperative was finally allowed lo ge bankrupt.

Bnt at the beginning of this month, Mr. Harry Hooper, chairman of Armstrong, wrote to the Industry Secretary saying that the Government wonld also have to waive the £5.34m owed by Meriden to the Export Credits Guarantee Department.

Trade ministers have apparently privately indicated that it will be very difficult indeed for the department to underwrite this amount.

What Ministers are now trying to assess is the difference hetween the cost of letting Meriden go bankrupt and Armstreng's offer. The feeling at the Department of Industry seems to be that it wonld be far preferable to help Meriden back into the private sector than force it into closing.

But Ministers may try te persuade Mr. Hooper to lower his price fer intervening as they believe it would be very difficult indeed to persnade the Treasury to foot the entire £11.9m bill.

LABOUR NEWS

Unions and CBI agree on draft for automation

BY JOHN LLOYD, LABOUR CORRESPONDENT

A DRAFT document en new technology, which will act as a guideline to the introduction of new automated systems throughout British industry, has been agreed hy the TUC and the CBI.

However, the document, approved at a fermal meeting between the leaders of the organisationa at the TUC on Mnnday night, has te be ratified hy both councils.

The CBI faces a major problem in convincing its members that tbe agreement will be in their companies' interest. Many feel that to agree to such a document would institutionalise tecbnical innovation as part of the collective bargaining process, and thus reduce flexibility and slow the speed ef technological change.

The TUC feels that an agreement, even if loosely worded, weuld assist negotiators in an document will he discussed by the TUC's economic committee en August 13, with a recommendation that it should be accepted.

The draft is unlikely to come hefore the CBI's council hefore September, or possibly October. Hewever, CBI officials will take soundings among members in August to gain an indication of how it might be received, and to let the TUC know the nature of members' reaction.

If all goes well, the draft will come te the TUC's congress in September as the subject of a repert, though possibly not for full dehate.

The talks inclnded, en the TUC side, Mr. Len Murray, the general secretary; Mr. Terry Duffy, president of the Amalgamated Union ef Engineering Werkers; and Mr. David Basnett, general secretary of the Genoral and Municipal Workers Union. The CBI side was led by Sir Raymond Pennock, its president.

The TUC sees the initiative on new technology as the first of a series of discussions. The CBI is keen to include pay in future talks, hut the TUC is wary at this stage.

Both sides have produced several drafts ef the agreement since discussions began early this year. The TUC had been eager to include a statement critical of the lack of Government support of technical change, theugh it is believed that has now been taken out of the agreed draft.

Other features of early TUC drafts—such as the creation of jeint machinery, the provision of informatien, the need to consult before implementing change, and a broad awareness of social responsibilities by companies in aveiding redundancies, previding for training and planning manpower needs —are theught to have been made more general.

Hewever, the central feature of the document—to provide a framework fer a multitude of plant-by-plant technology agreements, which are heginning to be concluded—remains unchanged. It is this point of principle, rather than points of detail, to which some CBI members are likely to object.

ISTC not to expel Sheerness members

BY OUR LABOUR STAFF

THE EXECUTIVE of the Iron and Steel Trades Confederation decided yesterday net to proceed with expulsion of its members working for Sheerness Steel who defied the executive in the national steel strike.

The union had expelled its 500 members at the private steel company, subject to an appeal, for disobeying a union instructien te jein the strike. The men felt that the strike at the British Steel Corporation shonld not have involved a strike within the private sector.

The executive dealt with the appeal yesterday. It voted unanimously not to put the expulsions into effect. Instead, the men will be "severely reprimanded." This will probably mean a letter to individuals warning them for their behaviour.

The Sheerness steelmen's defiance in the strike resulted in some wide-scale picketing of tbe plant and a few unpleasant scenes outside the gates.

After yesterday's decision the union said: "The executive believes, that faced with the most reactionary and anti-trade union Government in the nation's history, there is a need for solidarity in erder that we can fight what beth the men at Sheerness and the executive know to be the common enemy.

"There haa been a change of atmosphere since the strike. It was felt that this was net the time to expel memhers. Executive members bave genuinely tested the waters among the membership and come np with this decision which will be welcomed by the whole membership."

Some executive members originally felt that the executive weuld net be in a position to de anything but withdraw the men's membership. The union appeared to he attempting to bring the Sheerness men back into the fold fellewing a presentation to the company by Aims, the free-enterprise erganisation, earlier this month.

Local union officials representing the men threatened the company with industrial action unless the award—which they saw as resulting from the workforce's defiance of their union —waa withdrawn.

The union's head office involved itself in that issue. Eventually the cempany returned the award to Aims.

Extra £2m provided to boost apprentice training

BY OUR LABOUR CORRESPONDENT

THE Manpower Services Commission will fund an extra 1,500 places for apprentice training this year at a cost of £2m.

The commission said yesterday that the scheme was a response to high youth nnemployment, and that it would give priority to areas where unemployment among the young was particularly high.

The MSC will ask the industry training boards to submit proposals for the allocation of additional funds so that grants may he made available to companies by the end of the month.

The commission also discussed a review of the 1964 Industrial Training Act, under which it funds training hoards and gives granis to employers.

It is understood that one proposal is for industry to take on some or all of the costs currently horoe by the commission for industrial tralning.

Last year, the MSC spent £42.3m on operating costs of the Training Boards, and gave a further £54m in grants for training.

The largest of the boards, the Engineering Industry Training Board, received £22.5m for its eperating expenses, while the second largest, the Constructien Industry Training Board, received £17.8m.

There is some concern among the boards on the proposal to throw more of the responsibility for funding en industry, since it is felt that it would be difficult to guarantee enough funds to maintain training at present standards.

Many employers are exempt from the levy paid to the boards, since they conduct their own, approved, training programmes. It is felt that the remaining employers would constitute too small a base to ensure reasonahle financial aupport in the future.

A statement of the MSC's intentiens is expected next week.

Bank union accepts new large town allowances

BY NICK GARNETT, LABOUR STAFF

AN OFFER of London and large town allowances fer bank employees was accepted yesterday by the Banking, Insurance and Finance Union.

The staff associations, which operate in three of the five English clearing banks, have told the banks, however, that they are dissatisfied with the special London supplement included in the package.

The new figures, which are due te take effect from August 1, raise the inner London allowances—paid to staff working within three miles of the centre—from £823 to £1,061. The £200 inner London supplement is unchanged.

The outer London allowance —for staff working 16 to 22 miles from the centre—will rise from £204 to £264 with the £50 special London supplement fer this group unchanged.

The large town allowance is being increased from £181 to £234. Mr. Leif Mills, BIFU's general secretary, said the figures were higher than those paid te any other group.

Telecoms workers offered 21% rise

By Philip Bassett and Nick Garnett

POST OFFICE telecommunications workers, including engineering, clerical, management and computer staff, have been offered pay increases totalling 21 per cent.

The result of the negotiations for the group, which comprises more than 200,000 workers, will be one of the last major pay settlements of the current round. The size of the offer is likely to disturb Ministers, who have been urging that deals be concluded below the prevailing rate of price inflation.

Leaders of the Post Office Engineering Union and the Society of Post Office Executives met last night to consider their response to the offer, which was put to them by the Post Office yesterday. The POEU said it would issue a statement today, and expected the Post Office to make one also.

The POEU and SPOE have been committed to taking industrial action over pay from August 4, and have discussed what ferms this might take if the talks failed. The annual conference of the POEU, in defiance of the executive's wishes, fixed a claim of 37 per cent.

The overall offer to the unions is based en basic rate increases werth 19 per cent, with a further 2 per cent for productivity improvements, although it is believed that there may be a further "hidden" 1 per cent available fer the POEU to resolve internal pay problems.

But the SPOE is likely te press—possibly through arbitration—for further increases to take account of the POEU'S 5½ per cent arbitration award of last March. The POEU and SPOE together represent nearly 150,000 Post Office engineering werkers.

The Post Office executives of the Civil and Public Services Association, representing some 37,000 Post Office members, and the Society of Civil and Public Servants, with about 6,000 Post Office clerical and compnter staff, will consider the offer today.

The offer was put to these two unions, and the Post Office Management Staffs' Association, covering about 18,500 staff, at a jeint bargaining sessien on Monday. A condition of the effer is the acceptance by the unions of efficiency proposals.

At Menday's meeting, Post Office negotiators first put forward an offer of 17 per cent plus 2 per cent for productivity, but later improved it. The prodnctivity element is at present in the form of a cash bonus. Some union officials helleve that a further 2 per cent consolidated productivity money could be obtainable.

The efficiency proposals would commit the unions to supporting general improvements in Post Office efficiency, as well as covering some detailed issues such as the use of new computer equipment for telephone hilling.

The Observer management to meet ACAS

By Our Labour Correspondent

THE MANAGEMENT of The Observer newspaper, which has issued notice of closure, will meet officials of the Advisory, Conciliation and Arbitration Service today.

This follows a meeting yesterday between Acas and the main print union involved, the National Graphical Association.

The union's president, Mr. Les Dixon, and its general secretary, Mr. Joe Wade, explained the union's claim to Acas. It is expected that the management of The Observer will describe its offer.

Acas said last night that there were no plans yet for the two sides to meet. The TUC said no decision had been taken on whether Mr. Len Murray, its general secretary, will intervene.

Talks on BBC music strike to resume today

TALKS AIMED at ending the BBC musicians' strike were adjourned again yesterday and will resume today.

Lord Goodman chaired the talks between the BBC and the Musicians' Union at the London offices of the Advisory, Conciliation and Arbitration Services.

After 5½ hours together, the two sides left without comment.

The talks are also aimed at salvaging this year's Proms, which sheuld have opened en Friday.

The strike, now in its eighth week, is over BBC plans to axe five of its 11 orchestras as part of a £130m economy drive.

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Fighting for power on all fronts

Reg Vaughan reports on Laurence Scott, whose imminent results may determine whether it is the subject of a takeover bid

AS THE recession bites deeper, a number of British medium-sized engineering companies are facing particularly tough times. Many of them have survived for years in the shadow of giant competitors, trading on the reputation and quality of their products. Now they face not only the common problem of soaring sterling, high inflation, and slumping demand, but also intensifying competition from the big boys.

Few can be confronted with a sterner test of survival than Laurence Scott, the specialist electrical machinery manufacturer, which competes with the likes of GEC, Hawker Siddeley and Northern Engineering Industries.

Following a sharp decline into losses Scott has been hit by an additional series of acute problems: the departure of key personnel from one of its most profitable subsidiaries; a bid approach for the subsidiary by the same executives; a "dawn raid" on some of the shares of the whole group; and now the prospect of a full takeover bid.

Founded in Norwich almost 100 years ago with the aid of a loan from the Coleman family of mustard fame, the group pioneered the first electrical winch—for the royal yacht Albert and Victoria—at the turn of the century. And years later it supplied the electrical driving equipment for the Queen Mary and Queen Elizabeth liners.

The reputation and quality of Scott's products is not in doubt but in recent years the group has not developed to its full potential its major position in the custom-built electrical machine sector, where it has around 20 per cent of the UK market. This has partly been the result of inadequate capital investment.

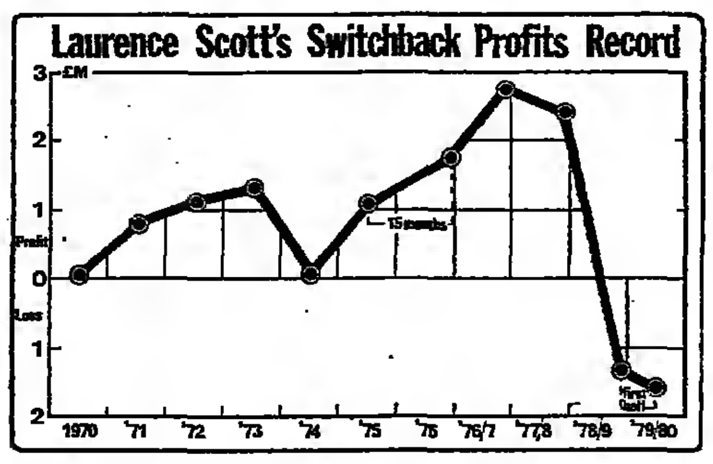
Over the last 20 years the group's story has been one of financial stagnation followed by decline and finally losses. But the directors firmly reject any suggestion of a financial crisis. With the full support of bankers the group has embarked on a five-year programme of recovery and the directors are confident that come the group's centenary in 1983, it will be in a much healthier position.

In the ten years up to 1968 profits moved along on a plateau while capital employed went up by 50 per cent. Over the following decade the group's performance was very erratic and lacked any sustained upward movement in profitability. More than anything this record highlighted the group's failure to overcome the recurrent problems of low productivity and high unit costs at the important Norwich works, which employ two thirds of the group's 3,700 workforce.

Bill McCraith, Laurence Scott's managing director, is optimistic: "We are still here while a lot of our competitors have gone."

In 1976/77 the group had moved into a growth phase on all fronts, with sales of £28.6m, profits of £2.76m, and a return on capital employed of 20 per cent. This reflected an upturn in control gear orders offsetting a slowdown on the heavy motor side which was hit by a fall in North Sea investment and public sector spending cutbacks. With increased demand continuing on the control gear side and large orders expected from the CEGB and North Sea customers the group was aiming for £3m for 1978/79, but in the event slumped into losses of £1.35m on sales of £37m.

This setback was blamed on a market slump at home and intense competition abroad, continued low output at Norwich and escalating labour costs. Compounded by the national engineering strike (which cost some £1m), the results for the first half of the current year showed losses of £1.57m, triple those of the same period last year.



In March this year a large part of the board of a subsidiary, PPD Engineering Ltd. quit. Making drive machinery for the paper and printing industry, PPD is a major profit contributor to Laurence Scott; in 1978/79 it showed a £500,000 pre-tax profit, on sales of £5m.

The directors who resigned from PPD were Roy Ashman (managing director), Henry Lally (sales director) and Kenneth Bush. They were later followed by some 28 PPD employees. The mass executive departure was prompted, they said, by their fears for the future of PPD.

Their next step was to acquire Harland Simon (1980) which in early May approached the Scott Board about buying out PPD. The move by Harland Simon—the former drives division of ASEA, the Swedish electrical group—was backed by Hambros Bank, the National Coal Board Pension Fund and Electra Investment Trust.

The industrial logic behind the Harland Simon move is that both companies are in related fields—PPD making variable speed drives for the printing and paper-making industry and Harland Simon making basically the same product for the paper industry.

According to Harland Simon there has been no response to its request for talks and certainly no obvious dialogue exists at the present time. In the meantime Harland Simon has set up a new division (to manufacture products associated with the printing and process industries) to enable it to take advantage of the skills of the employees who gained experience in this market with PPD.

Scott has started to replace the PPD management with the appointment, as new chief executive, of Eric Sidebotham. Mr. Sidebotham had been managing director of Thorn Automation since 1972.

The next event to hit Scott was the raid on its shares. In one of its controversial dawn raids, Rowe and Pitman moved into the stock market on May 19 with the stated intention of securing up to 25.9 per cent on behalf of Mining Supplies which already had a 4 per cent stake in Scott. Though little more than half Scott's size in turnover terms, the Doncaster-based company is highly profitable.

Sitting tight

Rowe's raid on the shares must rate as one of its least successful operations. Although the shares were languishing at a low of around 40p when Mining Supplies struck with its offer of 60p per share, it took the brokers five days to reach a level of 23.3 per cent.

After an initial flush of acceptances the market in Scott shares dried up. Two of the largest shareholders—Adwest with 7.64 per cent and Prudential Assurance with 5.47 per cent—*decided to sit tight.*

Mining Supplies was quick to give its reason for wanting a strategic holding. Scott was a company with which it had substantial areas of common interest and Mining Supplies felt that the group's recent trading pattern has made it "highly vulnerable."

Scott provides Mining Supplies with electric motors and other related items and also does a lot of work for the coal mining industry, an area where Mining Supplies is heavily involved. Mining Supplies has worked with Scott in various ways over the past few years, including the placement of development contracts with the company.

Another attraction is that Scott has a licence from the National Coal Board to manufacture specialised electric motors up to NCB standards.

Arthur Snipe, chairman of Mining Supplies, said at the time of the share raid that "we have gone in to protect our interests and are leaving our options open on whether we want to bid." He has since made it clear that he wants guaranteed access to Laurence Scott's sophisticated electric motors for his group's mining machinery.

Providing that Scott's results, due out tomorrow, are not "too awful," Snipe says Mining Supplies plans to launch a bid for the company, probably involving a share issue. Snipe is confident that Scott could be "digested without it choking us." But he admits that if something really nasty emerges from the Scott results then "we will just walk away." In any event, he insists he will pay *nothing more* than 80p a share.

One of Scott's main attractions as far as Mining Supplies is concerned is a specialist flameproof motor that it makes for the TP 2000, Mining Supplies' new long wall coal shearer system. This is about to be pit tested after successfully completing its trials and the company is confident that there is tremendous export potential.

With the big expansion in coal production forecast Mining Supplies is planning to build manufacturing plants in key parts of the world—particularly in the U.S., South Africa and Australia, where the meat of the mining business is.

Scott concedes that Mining Supplies could place substantial business with the group, Mining Supplies reckons it could amount to an extra 20 per cent on the group's turnover. But Scott is unhappy at the prospect of being taken over at 80p per share, particularly when the net asset value is currently around 230p per share. Laurence Scott would prefer to exploit the increased demand for coal machinery through the medium of a joint venture company but Mining Supplies did not respond to this idea.

A bid for the company by one of its main competitors could well be ruled out by the Monopolies Commission. But on the other hand none of them would want to see a foreign company securing such a big slice of the market.

So what does the future hold for Scott? The board is certainly optimistic that the group is now well on top of its problems. But there is a view that without a cash injection and new management attitudes the company will find it hard to recover. Critics also suggest that the group's main problem is a board which lacks a long-term strategy.

The company agrees that in the past it has been content just to "toddle along" and has not taken maximum advantage of its potential. But as Bill McCraith, the managing director, wryly points out "Laurence Scott is still here while a lot of our competitors have gone."

McCraith sees lack of capital investment over the years as one of the problems affecting the group's performance. But the group has been putting this *right* in recent years with some significant new spending on the key Norwich factories.

Public sector cutbacks

The company says that the *effects* of the expenditure programme are already showing through in its results; a bonus scheme for employees at Norwich has also helped significantly in improving efficiency and productivity.

The Norwich works is presently operating at 75 per cent capacity but North Sea orders are picking up and the Manchester factory, which mainly makes motors for mining machinery, is reported to be very busy.

For the second half of the current year the group's pre-tax loss is not expected to be much above £500,000. This compares with £1.6m in the first half and with £885,000 in the second half of 1978/79. The company says that this improved trend is being maintained, with a record first quarter in the current year.

On the heavy motors side the group is still suffering from the effects of public sector spending cutbacks, and there is fierce competition in export markets particularly from the U.S. and Japan. In Australia (which represented 19 per cent of export turnover in 1978/79) Japanese penetration has become so acute that the company is considering pulling out altogether.

The group is looking to Britain's £10bn nuclear power station expansion programme to give a much needed boost to its flagging fortunes. Scott has been closely involved in the nuclear energy programme for the past 20 years but has been starved of any orders since 1969.

The group has particular expertise in advanced gas cooled reactor technology, having provided the coolant gas blower motors for the Hinkley "B" and Hunterston "B" nuclear power stations. And it is confident of participating in substantial orders for the new Heysham (Lancashire) and Torness (Edinburgh) AGR power stations when they are placed.

Arthur Snipe, chairman of Mining Supplies: for him, one of Laurence Scott's attractions is the flameproof motor it makes for his TP 2000 long wall coal shearer

In anticipation of this new motor business the company is clearing the decks at Norwich to make additional space available for the necessary manufacturing work. However, at present it is unclear whether any further AGRs will be ordered.

Meanwhile the group's bankers are maintaining their support for it and have recently agreed to a new 5-year plan. Under this the group will be able to rely on finance from its four banks for a part of increased working capital before cash generated begins to overtake outlay. The company says it is currently working well within the limits set by the banks—medium term borrowings are around £5m.

And whatever some of its critics say, Scott's management has support in at least one influential area. One of the Pru's two investment managers says he is encouraged by what he found after one of his periodic visits to Scott. He says that the business is basically a sound one and that the group has overcome its problems at Norwich.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

Same power provided by smaller engines

MAJOR SAVINGS in diesel fuel consumption are offered by fitting a *supercharger* to a *diesel* engine, rather than a turbocharger.

Valmet Oy of Finland, first company in the world to take this approach with an agricultural tractor, has launched its Model 1203 with the supercharged engine, alongside ten other new tractors.

The four-cylinder, 4.4-litre engine of the 1203 will give 81kW DIN at 2,300 rpm. This compares with 81 kW obtainable with a non-supercharged six-cylinder engine of 5.8 litres capacity.

Synchromesh transmission provides improved driving characteristics and the fuel economy is achieved by the provision of the same power from an engine of close on one-quarter smaller capacity.

A high torque back-up of 27 per cent ensures that the driving force increases as the engine speed drops. Thus the engine loading is matched to the power requirements of the tractor. Maximum torque of 424 Nm is developed at 1,350 rpm.

This turbocharger, called the Comprex by its developers at Brown Boveri in Baden, Switzerland, is known as a pressure wave supercharger. It offers similar pressure ratios to turbo*chargers, namely up to* 1:2.8, and is a moderate speed, low inertia unit.

This means that it can be driven from the crankshaft without for that absorbing excessive compression power.

Response is immediate and the above-mentioned torque characteristics mean that it can give better driving performance *with fewer gear* ratios.

Brown Boveri, Glen House, Stag Place, London, SW1E 5AH. 01-828 9422.

Watches the power load

THE MICROCOMPUTER has replaced the conventional clock switcher in a system from *Energy Management* Devices called Powerwatch which is able to [illegible]e the loadings of up to 15 circuits to avoid, for example, excursions into consumption beyond a peak tariff level.

The unit measures 324 x 264 x 122 mm, weighs 5 kg and can be conveniently fixed to a wall at eye level. Its front panel contains digital displays for on and off times, a numerical/day of week keyboard for timing settings, on-off indicator lamps for the 15 circuits and a column of indicator lamps that assist data entry.

The system will accept up to nine start-stop operations per circuit per day plus nine duty cycle patterns per circuit and will also bring loads in sequentially where schedules call for more than one load to start at the same time. Each circuit may have different schedules for each day of the week and holidays may be programmed.

The duty cycle facility allows load cycling on any or all of the 15 circuits to achieve further electricity bill savings by reducing peak demand. During the normal "on" time of a circuit a load can be cycled on and off for independent intervals ranging from one minute to 12 hours.

More from the company at 380 Bath Road, Slough, Berkshire (06286 64046).

● SAFETY

Already standard equipment with the Royal Navy, the hydrostatic life raft release unit shown here is being given a boost through a Department of Trade M notice which makes mandatory *the fitting* of such units on all merchant ships and pleasure craft over 13.7 metres in length as from May 24, 1981. The Berwyn Mk5F right, is one of only two such units certificated by the Department of Trade. It is intended to go into the lashings securing a life-raft canister. Water pressure operates a diaphragm at a pre-set depth to free the raft which is then inflated from a gas cylinder *actuated by tension* on a painter. Berwyn is at 3 Union St., Bath. 0225 6302

● METALWORKING

Will produce the best work

OF TWO recently announced developments in lathes for special purposes, one is from Formtecnic of 7 High Street, Alcester, Warwickshire B49 5DJ (0789 763789) and is a metal-spinning machine which will remember the operator's best work and "play it back" as required.

Made by Leifeld in West Germany, the unit is based on that company's hand-controlled hydraulically-powered lathes but can record the sequence of operations and movements of the spinning roller on a magnetic tape cassette.

Using the playback, subsequent components are automatically spun according to the recorded program, a system which, claims the company, guarantees 100 per cent accurate repeatability. It is only necessary to spin a few components by hand and then select the most perfect as a master for recording and for subsequent production runs.

The company sees the main area of application for the playback system to be in the production of small to medium batches which would not justify setting up on an automatic machine. Scrap would be cut, it is believed, and, in addition, the tape can be kept for later use in the event of a repeat order.

Second machine is an automatic welding lathe from Universal Welding Machines, No. 3 Factory, Dysart Road Industrial Estate, Grantham, Lincolnshire (0476 74663).

This has been specifically designed for use with all models of semi-automatic welding equipment and enables semi-automatic procedures to be fully automated.

Computer design of dies

A COMPLETE computer system for the design of pressure die-casting dies based on the desktop Commodore Pet machine is to be made available by BNF Metals Technology Centre, the Wantage, Oxfordshire laboratories at which international research into non-ferrous metals is carried out.

It is claimed that the system, called Gateway, puts such work on a more reliable footing than reliance on the craft element in design, leading to improved casting quality and more consistent production.

Gateway covers gating and thermal calculations in brass, aluminium, zinc and magnesium alloys, determines the locking force and predicts production rates; it is applicable to all types of diecasting machine both hot and cold chamber.

The programs embodied in the system are based on rules formulated and tested after many successful years of research at BNF. It is emphasised that no computing experience is needed, the user being led step by step via screen-based dialogue.

More from Denchworth Road, Wantage, Oxfordshire, OX12 9BJ (02357 2992).

● COMPONENTS

Solid state image unit

PERFORMANCE comparable with that *of a two to three inch* vidicon camera tube is claimed by RCA for a charge coupled device (CCD) "imager" now offered in this country by Norbain Electro-Optics, Arkwright Road, Reading, Berks RG2 0LT (0734 864411).

The device is contained in a 24 connection dual in-line pin package measuring only 1.2 x 0.79 x 0.052 inches. *Self-scanning*, it is said to be ideal for closed circuit television cameras, although it generates a raster to U.S. standards of 525 lines interlaced, with about 164k pixels. Ultra-low blooming properties are claimed, together with the elimination of lag and microphony.

Designated SID 52501 the image sensor is available in two grades of blemish specification, at corresponding prices.

● HANDLING

Straps up large packages

DESIGNED FOR securing packs of duvets, textiles, carpets, towelling, pillows, folded cartons, paper bags, etc., is a new automatic polypropylene strapping machine from Gordian Strapping, *Gordian* House, Browells Lane, Feltham, Middlesex. (01-903 4686).

Arch size of the Gordian 72-OLLP enables the machine to handle packages in sizes ranging from 300 mm wide by 760 mm up to 1430 mm wide by 760 mm high. Maximum pack weight is 500 kgs.

Based on the company's former model, the 7-OL, it utilises the same strap feeding, tensioning and sealing mechanism. Important benefit of the machine — which can be used with either 12 mm or 15 mm Gordian Hyplex polypropylene *strapping* — is the super *high* tension cam system, says the company, which offers a wide selection of strapping tensions.

The new machine has a reinforced table top and a pneumatically operated press attachment which applies adjustable pressure to the pack being strapped.

It is available on outright sale basis or on rental terms.

Opens 25 cans a minute

EQUIPMENT for opening cans at up to 25 a minute is being marketed by Peter Holland, St. Peter's Hill, Stamford, Lincs (0780 52086).

It comprises a combined in-feed conveyor and can-washing unit, the can-opening machine itself with a lid-removing attachment, and a contents dumper.

System is said to be ideal for companies and organisations requiring a medium-speed can-opening facility and could be useful to food processing companies, large canteens and mass catering organisations.

The can-opening machine can be used as a separate unit and its mechanism incorporates a heavy-duty crown punch allowing the top of a can to be removed in one stroke. The action does not require rotation of the can, thus obviating metal slivers which could fall into its contents.

To facilitate single person operation, the equipment is assembled to form an L-shaped installation.

● ELECTRONICS

Combats condensation

DAMP AND dust can be kept out of electrical and electronic equipment without the need for pressurisation or an electrical consumption to any kind using a closed circuit "breathing" device put on the market by Austin Taylor Electrical, Bethesda, Bangor, Gwynedd LL57 3BX (0248 600561).

A cabinet, CAC 800, has a special compartment on the front of its hermetically sealed door which houses a sealed plastics envelope, and a sealed desiccator is placed in the base of the cabinet. The atmosphere inside the cabinet is connected by a plastics tube to the envelope.

When the door is closed the system comes into operation: as the ambient temperature rises the atmosphere inside the cabinet *expands* into the envelope, moving back into the cabinet when the temperature drops again.

This natural closed circuit breathing ensures that no external damp air or dust is drawn into the enclosure and gives automatic desiccation.

There is no condensation inside the cabinet even in fluctuating conditions of humidity and temperature.

● MATERIALS

Keeps the glass clear

AN ANTI-MISTING product for glass surfaces called Everclear, developed in the U.S. where it is said to have been "already *highly successful*" has been put on the market in the UK by Huntingdon Fusion Techniques, 7, Clifton Road, Huntingdon, Cambridgeshire PE18 7EJ (0408 58675).

An important application is likely to be on safety spectacles —which many workers are reluctant to wear because of continual steaming-up. Viewing windows, vehicle windscreens and instrument glasses will also benefit.

Everclear is an amber coloured solid of undisclosed formula, although the makers say it contains neither wax nor *silicone. A small amount is* applied to dry glass and polished, the effect being to alter the surface tension properties so that condensing water vapour, instead of forming a mist, runs off or lies flat on the surface.

An application lasts several days and subsequent applications are claimed to be more effective "as the compound progressively fills minute pores on the surface."

● PROCESSING

Hardens the shafts

LATEST INDUCTION heating shaft hardener from Inductelecs is the 1HG 11/2, a two station machine with separate programs for zone heating and traverse rate for each of the two vertical stations.

Shafts of up to 24 inches in length and 50 lbs weight can be treated and the only additional equipment needed is a 30 kW radio frequency generator.

Two work speed ranges are provided: from 0.06 to 1.25 inches/sec. and 0.25 to 5.0 inches/sec. Peg board pre-set programs give a maximum of 20 steps each to control work traverse, but single shot working is possible.

Each station alternates with the other, so that the "heat on" time is the factor governing speed of working. Thyristor controlled generators mean that each work station can be set at its own power level.

More from the company at 2b Reddicap Heath Road, Sutton Coldfield, West Midlands B75 7DU (021 378 2289).

LOMBARD

Denmark should show the way

BY DAVID MARSH

"BORROWING DULLS the edge of busbandry."

The words of Polonius, uttered some time ago wben Denmark really was in rather a rotten state, have never qulte caught on in Elsinore. Despite pleas from all sides for the Danes to buckle down and tighten belts, during the first six months of 1980 Denmark borrowed around $1bn in Euro-currency bank credits—oeeded to finance s deepeoing current eccount deficit which the OECD estimates for this year at around $3½bn, more than 5 per cent of gross national product.

Before he wss so unfortunately skewered behind the arras in Act 4 Polonius came up with several pieces of good advice which would commend themselveo to any 20th-century central bsnker, combining warnings to "reoerve thy judgment" and "give thy thoughto no tongue" with an exhortation ageinsl the wearing of "gaudy apparel."

Sticky end

But he failed to make lhe one sound suggestion that could have rescued the Royal House from the slicky end brought on by the warring with Fortinbras, incesoant family bickering and ill-fated experiments with poisoned rapiers. Polonius should have recommended that Denmark take arms against its sea of troubles by raioing a loan from the International Monelary Fuod.

Shifting the scene back to 1980, the idea of a Danish horrowing from the IMF has in fact been mooted—though more as a threat than as a serious suggestion—hy Mr. Erik Hoffmeyer, the governor of Denmark's central bank. At the beginning of the year he said tbet the country faced ao "economic abyss" as a result of the fallure to reduce its external deficit. And a Daniob loan from tbe fund, he said, would mark one more slep towards doom.

Mr. Hoffmeyer was trying in all good faith to convince domeslic politicians and trade unioos of the seriousness of Denmark's economic plight.

But, on a wider plane, remarks like tbis from responsihle people in the West portraying the IMF as a kind of hogeyman can do a great deal of harm. Mrs. Margaret Thatcher went on in similar vein when she told the Houae of Commons last mooth that the Government was taking barsb decisions "to prevent the IMF coming in"—as though the fund were a retribution-seeking ogre lurking in wait for economic deviants.

Such comments obscure the fsct that it would really be highly desirable for Denmark to seek money from the fund, along with tbe otber, mainly small to medium-sized industrial countries running disproportionately large paymeots deficils.

And these statements can hardly be expected to help the IMF's efforts to entice more developing countries to approach it for assistance in good time — *before* they run into serious financing difficulties on the capital markets.

Consider the size of the deficits involved. The larger industrial countries have no external financing difficulties. None of the seven countries wbich took part in last month's Venice summil will have a deficil nf more than 2 per cent of GNP this year.

A group of small, prosperous European countries—Belgium, Denmark, Sweden snd Austria —will, however, according to the OECD, run deficits of belween 3 and 5½ per cent of GNP. Ireland's shortfall will amounl lo nearly 8 per cenl.

Of the big four Third World borrowers lhe Philippines and South Korea (which already have agreements with the IMF) look likely to run deficits of 6 and 10 per cent of GNP respectively. But Brazil snd Mexico (wbich do not) will probably bave shortfslls on curreot account of no more thao 3¼ per cent.

Tbe messege behind this is that for countries such as Denmark and Belgium to borrow from the Fund and suhmit to its conditlons, just as Britain and Italy did in 1977, would not be s gesture of defeat.

It would make an important contribution to easing these couotries' financing hurdens. It would have an important effect in convincing electorates of the need for unpopular measures. And, above all, it could encourage more Third World countries to cross the psychological divide and approach the Fund early. At a time wbeo belt-tightening is in vogue the rich as well as the poor must show that they can take the medicine.

An unrepentant little Englander

THIS WEEK, I intend to fan some flames. My taste has been called myopic and anti-European. To lay the fire, I must first describe my reading habits, then explain wbere the fuel bas come from.

I take tbe F.T. every day and I read it on Wednesdays and Saturdays. On Saturdays I learn to correct my gardening mistakes, so there may, incidentally, be truth in a cosmopolitan complaint from a reader in Kuwait.

He writes to sak if I have noticed something which is probably only obvious to a reader who hoards bis F.T.s and re-reads them as relics of his homeland. This May, be had noticed, my articles were following advice given by Arthur Hellyer in May's F.T. two years ago. By this myopia, at least, I would not be surprised. It takes about two years, as City readers know, for a new fact to be served up as one's own discoveries. Like you, I learn a lot on Saturdays.

For the rest of the week, I meet the F.T. rather later in the garden. There is always a job needing newspapers, a blocking of drsughts in winter, the sbeltering from frosts in late spring, the wrapping of cuttings and sbeltering of cabbages in summer.

Last week, I was busy moving foxgloves. I recommend this. You csn dig up a foxglove wben you notice it, even when it is in flower. As foxgloves seed themselves freely, you can take plants to the best place and match the best colours together. To do this, you need wet weather and something convenient to wrap around the foxglove roots. Here I find the F.T. very useful. I lsy it out on the ground and wray foxgloves in the centre, ensuring that they move with a good ball of earth.

Through the foxgloves, therefore, I catch my pink glimpsea of the letters and centre page news. Previously, I have not caught glimpses of myself, and by the manner of my discovery, those readers who have been telling the letters column that they find me parochial, myopic, a little Englander and thoroughly anti-European would consider themselves proved right. Thio, however, is a fire I want to fan.

But first, I must scotch a rumour. I am not, on the strength of their comments about to be transferred to write the Lombard column. Nor was there any significance in the promotion of my little England plot to stand beside Lombard wben he changed bis former by-line. The trouble, rsther, begins witb my view that England bas the best gardens in the world. I will glodly componnd it by saying that if I hsd to name a top five of gardens, every one of them would be English too.

There bave been two main branches to tbe art of gardening. One has been the plants, the other tbe plan. At timea one triumpha over the other. The triumph of plants is a particular English vice from whicb my garden also suffers. Its victims are gardens with one plant of this or that arranged as rarities and oddments because their owners are collectors who want to grow new or difficult things. None of these gardens can be ranked as the best in the world. They fall apart into too many groupa of different colours and seasons. They are not hold.

Plantsmen's gardens are a particular British feature. They are supported by the best network of small specialist nurseries in the world; in Britain, aventually, you can buy almost any plant you want.

Of course, similar gardens are found occasionally in Europe, Japan or the Antipodes. I think of the orchid specialist in Bsngkok, the dry slopes of private gsrdens in the south of Fraoce, or tbe Alpine tips of the Botanic Gardens in Municb, and its extension up a Bavarian mountsin in the nrtural setting of the Scbachengarten. It was tbere, incidentally, that I learnt most ebout Alpine flowers, stuck in my myopic way at a height of 5,000 ft in a German public garden which is only accessible after the snows to people who fancy a two-hour climb.

Then tbere are the gardena with a good plan. These I agree, can be very fine outside Britain. I am impressed by the water caacade in Italy's Villa Aldrobrandini, by Le Notre'a use of green space at Vaux-le-Viconte, by two of the Moss gardens in Kyoto.

Gardens with ground plans, bowever, are vulnerable. Other owners take over and promptly confuse them; especially in countries whose social and political context bas cbanged very sbarply. Across the centuries many of the world's finest plans bave been spoiled by bed planting or natural decay.

This is not en insular judgment. It is simply the case that the Sbalimer Gardens in Kashmir have been ruined by park bedding schemes built from the Europeen annual flowers of the 1940s and matched with sham garden pavilions. The Alhambra gardens in Spain, from pictures and reports, are spoilt by bursts of zinnias and municipal marigolds. Many of the great renaissance gardens are skeletons, and almost every great garden in the Middle East is a secondary ruin.

This decay has afflicted their English equivalents. Here, too, we have gardens with only a plan—the landscapes for which England became best known. There is hardly nne wihch has survived farming, elm disease end neglect since the 18th century. I far prefer our examples to their continental copies, but a plan without plants is surely as much of a second best as plants without a plan.

It is nn these grounds that I make my choice. In England, we still have gerdens open to tbe pnblic which unite a firm ground plan with an informal range of coloura, flowers and scents. In them, the plantsman is controlled by the architect. Sissingburst, was born from the marriage of the two but it is not alone. Hidcote and Tintinhull, Crathes Castle and Highdown, Wakehurst and Cranborne; these are a very few gardens from a far wider list tban any other country could produce.

Who has ever seen this match of plan and plants in those miserable gardens round the chateaux of the Loire, in tbe daisies and decay round the schloss' of Bavaria or in those peak villas kept np for the public in Italy, let alone in the barbaric use of colour, form and regidity in every big public garden on Belgium? A few private French gardens run ours close but those which I know are not so subtle and are more hampered by their summer climate.

In short, I stick by Little England. If you add the thousands of English private gardens which have become works nf art through their owners' love ynu are left with a separate problem—just why the best is so deeply rooted this side of Dover. There are many historical reasons not least the stability of our social classes, literary educatinn, the climate, the high value placed on privacy, some remarkable women and the persistence of settlement in villages.

There is also a whole supporting sub-culture. Where else would managers of industrial companies write quite frequently to a journalist and send him descriptions of their garden last summer. They have many more things to live for.

Houseplants, it is true, are a last oasis for the Japanese, while conifers sell well in Germany. But nothing which reaches me among the foxgloves dissuades me from preferring plants and a plan together—and leaving most of Europe to its plans or plants an isolated second-best.

GARDENS TODAY

BY ROBIN LANE FOX

Playboy again for Piggott

RACING

BY DOMINIC WIGAN

PROVIDED THE weather holds fair, night racing entbusiasts at both Sandown and Hamilton should be in for an enjoyable evening.

On the Esher course a good many customers and Playboy guests will be boping that the evening proves as profitable for them as a year ago when Piggott followed up a 10-1 success on Moores Concerto by landing the Playmete Handicap on the heavily supported House Guard. This time Schiller and Intercraft Boy are Piggott's allies in tbose same races.

The first-named, a Ryan Price trained colt racing in the black and white colours of Piggott's close frlend, Charles St. George, got off the mark at the last meeting here under a masterful ride by Piggott in the Peddock Stakes over today's seven furlongs.

Schiller produced the necessary reserves of strength in the final furlong to bold a oustained cballenge from the Fenwolf Stakes fiftb, Nimblemoss. A reproduction or—better still —the anticipeted improvement on that display ought to see Schiller getting the better of the recent Wrrwick winner, Principal Dancer.

Althougb the four-year-old Intercraft Boy is still capable of picking up e useful prize, as be showed with a well-deserved win earlier in the summer, the handlcapper seems to bave taken his measure at the moment. His task under 9 st 3 lbs in the Playmete Handicap is undoubtedly a formldable one and here I much prefer the chance of Meshoor. Tbls John Sutcliffe trained three-year-old could bardly be in better form as he sbowed when drawing rigbt away from Lady Ember and Cyprus Sky in e competitive race for Salisbury's Fair Triai Handicap do July 12.

Earlier in the evening it will be interesting to see if Mashoor's slable mate, Master Golfer, can make up for a costly failure for many at Lingfield last time out. There Joe Mercer's mount never got in the bunt.

A third possible winner for Sutcliffe is Strictly Swing who attempts to lsnd the Savile Row Handlcap for s second yeer in succession.

SANDOWN
5.45—Master Golfer*
6.15—Schiller**
6.50—Mashoor
7.25—Intinto
8.00—Strictly Swing***
8.30—Housebolder

YARMOUTH
2.15—Complete Package
2.45—Northern Snpremo
3.15—Racontenr
4.45—Gullsway

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open Uoiversity (Ultra high frequeocy oolyı. 9.55 Noab and Nelly in Skylark. 10.00 Jackaoory. 10.15 Tarzao, Lord of the Jungle. 10.35 Why Don't You? 1.30 pm How Do You Do. 1.45 News. 2.00 "A Star Is Born," starring Judy Garlaod and James Masoo. 4.30 Olympic Grandslaod.
5.40 News.
5.50 Olympic Grandstand (cootinued).
7.40 Comedy Classic: Porridge starring Roonie Barker.
8.10 The Big Time.
9.00 News.
9.25 Tbe Scarlett O'Hara War (The struggle for the most coveted role in movie history, based on Garson Kanlo's best-selling novel).
11.00 Tbe Robots Are Coming.
11.50 Weather/Regional News.

All Regions as BBC1 except as follows:—

BBC Cymru/Wales—7.40 pm Wales Today Bulletio. 7.45-8.10 Heddiw. 11.50 News Headlines; News and Weather for Wales.

Scotland—1.25-1.30 pm Tbe Scottish News. 11.50 News Headlines; News and Weather for Scotland.

Northern Ireland—11.50 pm News Headlines; News and Weather for Northern Ireland.

BBC 2

6.40-7.55 am Open University.
10.20 Gbarbar.
11.00 Play Scbool.
4.15 pm Animal Magic.
4.40 Undercover Elepbant.
4.45 Newsround.
4.55 Renlagbost.
5.25 Fred Basset.
†5.30 Good Old Coro (A Mack Sennett comedy).
5.50 Nationwide (London and South East ooly).
6.15 Film: "Thunder Bay," starring James Slewart.
7.55 Mid-Evening News, includiog sub-titles.
8.10 Dallas.
9.00 Movie Sbowcase: "The Maido," starriog Glenda Jackson.
10.30 Macleod's America.
10.45 Newsoight.
11.35 Open University.

BBC 2 Wales only—1.45-4.15 pm Afternoon Oul at the Royal Welsh Sbow. 5.50-6.15 Wales Today.

BBC 2 Scotland only—5.50-6.15 pm Reporting Scotland.

BBC 2 Northern Ireland only—5.50-6.15 pm Scene Around Six.

BBC 2 England only—5.50-6.15 pm Look East (Norwich); Look North (Leeds, Newcaslle); Poinls West (Bristol); Look North West (Manchester); South Todsy (Soutbampton); Midlsnds Today (Birmingham); Spotlighl South West (Plymoutb).

LONDON

9.30 am Paint Aloog With Nancy. 10.00 The Best of Families. 10.50 Mystery Island. 11.05 Animated Classics. 11.50 Cartoon. 12.00 The Adventures of Rupert the Bear. 12.10 pm Raiobow. 12.30 About Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Live From Two. 2.45 Fantasy Island. 3.45 Cabbages and Kings. 4.15 The Whisper of Glocken. 4.30 Olympics '80.
5.50 News.
6.00 Olympics '80 (continued).
7.00 Thames News.
7.30 Coronation Street.
8.00 Sounding Brass.
9.00 Olympics '80.
10.00 News.
10.30 Besi Sellers.
12.15 am Cyril Luckham reads Lord of the Evening.

All IBA Regions as London except at the following times:—

ANGLIA

10.50 am A Oiary of Civilisations. 11.40 Cartoon Time. 12.30 pm An Exceptional Child. 1.20 Anglia News. 2.45 General Hospital. 7.00 About Anglia. 12.15 am The Big Question.

ATV

10.50 am The Stationary Ark. 11.10 The Mackenzie Affair. 12.30 pm Against the Wind. 1.20 ATV Newsdesk. 7.00 ATV Today including Police Five.

BORDER

10.50 am The Jazz Series. 11.15 Technolłesh. 11.35 The Count of Monte Cristo. 12.30 pm An Exceptional Child. 1.20 Border News. 7.00 Lookaround Wednesday. 12.15 am Border News Summary.

CHANNEL

12.30 pm An Exceptional Child. 1.20 Channel Lunchtime News, What's On Where and weather. 7.00 Channel Report. 10.28 Channel Late News. 12.15 am News and weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 10.50 The Jazz Series. 11.15 Thunderbirds. 12.30 pm An Exceptional Child. 1.20 North News. 7.00 North News and area weather forecast. 7.05 Wild, Wild World of Animals. 12.15 am Reflections. 12.20 North Headlines.

GRANADA

10.45 am The Nature of Things. 11.45 The Magic Ball. 12.30 pm An Exceptional Child. 1.20 Granada Reports. 2.45 Young Ramsey. 7.00 Granada Reports.

HTV

10.50 am Sesame Street. 11.50 Popeye. 12.30 pm Against the Wind. 1.20 Report West Headlines. 2.45 The Outsiders. 3.45 Looks Familiar. 7.00 Report West. 10.28 HTV News.

HTV Cymru/Wales—As HTV West/HTV General Service except:—11.55 am-12.10 pm Fflalabalam. 1.20 Penawdau Newyddion y Dydd. 1.25-1.30 Report Wales Headlines. 4.30-5.00 Ni a Nhw. 7.00 Y Dydd. 7.15-7.30 Report Wales.

SCOTTISH

10.50 am Call It Macaroni. 11.10 Westside Medical. 12.30 pm An Exceptional Child. 1.20 News and road and weather. 2.45 Chopper Squad. 7.00 Scotland Today News and High Summer Extra. 10.28 Scottish News Headlines. 12.15 am Late Call.

SOUTHERN

10.50 am Tandarra. 11.45 Larry the Lamb. 12.30 pm An Exceptional Child. 1.20 Southern News. 2.45 General Hospital. 7.00 Day by Day. 7.00 Scene Midweek (South East Area only). 10.35 Final Edition. 11.20 S.W.A.T.

TYNE TEES

9.20 am The Good Word followed by North East News. 10.50 The Nature of Things. 11.50 Cartoon Time. 12.30 pm An Exceptional Child. 1.20 North East News and Where the Jobs Are. 2.45 Andy. 3.15 The Story of Wine. 7.00 Northern Life. 10.30 North East News. 12.15 am The Strength of the Nile.

ULSTER

10.50 am The Jazz Series. 11.15 Untamed World. 11.45 Cartoon Time. 1.20 Lunchtime. 2.45 Young Ramsey. 4.13 Ulster News Headlines. 7.00 Ulster Television News. 7.15 Want A Job? 10.29 Ulster Weather. 12.15 am Bedtime.

WESTWARD

10.50 am The Jazz Series. 11.15 Target The Impossible. 11.40 Larry the Lamb in Toytown. 12.30 pm An Exceptional Child. 1.30 Westward News Headlines. 3.42 Gus Honeybun's Birthdays. 7.00 Westward Diary. 10.31 Westward Late News. 12.15 am Faith for Life. 12.20 West Country weather and shipping forecast.

YORKSHIRE

10.50 am The Count of Monte Cristo. 11.10 Vikings in the Sunrise. 12.30 pm Out of Town. 1.20 Calendar News. 2.45 Tandarra. 7.00 Calendar (Emley Moor and Belmont editions). 12.15 am Preview.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92-95vhf
BBC Radio London 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Peter Powell. 11.00 Simon Bates. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.00 Andy Peebles. 4.31 Richard Skinner. 7.00 Radio 1 Mailbag. 8.00 Jaye Cooper. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm Ray Moore (S). 3.03 Olympics 80. 7.02 Much More Music (S). 8.02 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Only A Rose: Anne Ziegler and Webster Booth recall the past (S). 9.55 Sports Desk. 10.02 The Impressionists. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Olympic Sports Desk. 11.15 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice part 2 (S). 9.00 News. 9.05 This Week's Composer: Sibelius (S). 10.00 Music for Organ (S). 10.40 Russian Wind Music (S). 11.15 BBC Northern Singers (S). 12.05 pm BBC Welsh Symphony Orchestra Concert, part 1 (S). 1.00 News. 1.05 Concert, part 2 (S). 1.50 Fifty Years of British Music (S). 2.35 French Music, part 1 (S). 3.05 Interval Reading. 3.10 French Music, part 2. 3.40 BBC Northern Symphony Orchestra (S). 4.55 News. 5.00 Mainly for Pleasure (‡ and mono only from 6.20). 7.00 Schubert (S). 7.30 Concert, part 1. 8.05 Loner (story by Elizabeth Beiridge). 8.25 Concert, part 2. 9.30 Six Continents. 9.50 Music in Our Time (S). 11.00 News. 11.05-11.15 Bach (S).

VHF Only—Open University 6.00-7.00 am—6.20-7.00 pm. And for students in Radio Scotland and Radio Cymru areas only 12.00-1.00 am.

RADIO 4

5.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-week with Russell Harty. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 Ian Wallace (S). 12.00 News. 12.02 pm You and Yours. 12.27 You're Got To Be Joking (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.10 Afternoon Theatre. 4.00 Choral Evensong (S). 4.45 Short Story. 5.00 PM: news magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The Year in Question. 7.00 News. 7.05 The Archers. 7.20 Class One Goes To Nethercott (a group of London school children spend a week on a Devon farm). 7.45 The Queen Mother (a radio biography in three parts). 8.30 A Sideways Look At . . . by Anthony Smith. 8.45 Analysis. 9.30 Kaleidoscope. 9.58 Weather. 10.00 The World Tonight. 10.30 Rumpole. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

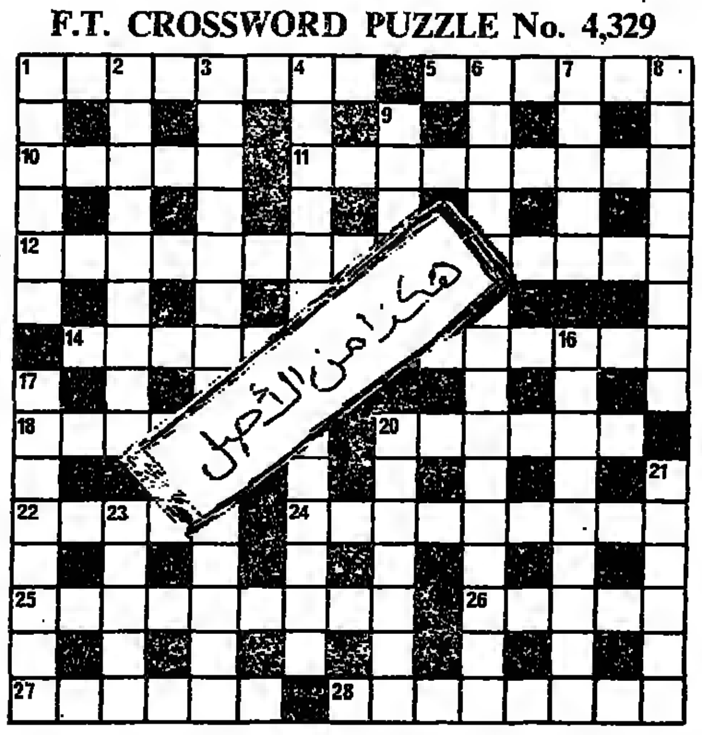
London Broadcasting

6.00 am AM: Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm Jazz After Eight featuring music from Oscar Peterson and Ella Fitzgerald. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 5.00 Morning Music.

Capital Radio

5.00 am Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 1.00 pm London Today First Report (S). 1.10 Mike Allen (continued). 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne (S). 11.00 Tony Myall's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,329



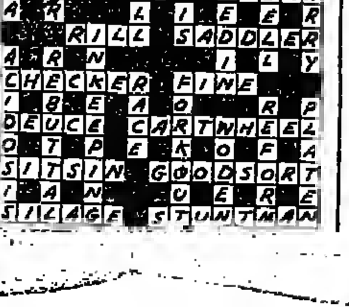
ACROSS

1 Lob into court and drink (8)
5 Move quickly with learner in a dance (6)
10 Beginning on television (5)
11 Tolerate abstinence from food end be unmoved (5,4)
12 Free to turn the pages of a type of notebook (5-4)
13 Go and get first of food and eat away (5)
14 A fellow is a dandy (6)
15 Turner it is, whichever way one looks at it (7)
18 Intend Post Office to enter a sum of money (7)
20 A frenzied woman is mother, with Dane returning (6)
22 Company supporter could be a snake (5)
24 Study stupid ringleader that's capable of accepting a charge (9)
25 Shades vessel wherein there's lack of vision (5, 4)
26 Duck containing nothing egg-shaped (5)
27 The wrong horse for a campanologist (6)
28 Believe, or one to whom a debt is due (8)

DOWN

1 Ring the French for a fair game (4-2)
2 Cut deeply into more ancient fuel container (3-6)
3 & 6 Entre nous, in confidence and not for publication (7, 3, 3, 2/3, 3, 3, 6)
4 Gives ear to unusually silent Pole (7)
6 See 3
7 Smallest meadow on the way (5)
8 Crock preserves a group of animals (8)
9 Foreman makes a blunder with a word of hesitation (6)
16 I must leave train and make merry in carriage (9)
17 Where astronauts drink and typists get depressed? (5-3)
19 Get free picture of scenery from the East (6)
20 Type of lizard seen on screen in television studio (7)
21 Soldiers rush up for merchant (6)
23 Child I put in farm building (5)

Solution to Puzzle No. 4,328



ENTERTAINMENT GUIDE

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COLISEUM. [illegible]

COVENT GARDEN. [illegible]

GLYNDEBOURNE. [illegible]

ROYAL FESTIVAL HALL. [illegible]

SADLER'S WELLS. [illegible]

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[illegible]

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[illegible]

ART GALLERIES

[illegible]

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THE ARTS

Television

Switching on the current

by CHRIS DUNKLEY

I like current affairs programmes. If it weren't for current affairs programmes I might well have given up the job of television criticism because I became convinced long ago that for the true magic of drama you need the live conspiracy between actors and audience which you find only in the theatre; that for the real majesty of film you must have the *size* of the cinema screen and the power—well, some of the power—of cinema sound-systems; and that if you want a proper supply of adult news you have to read a good newspsper.

(Which, as in the case of this one, will have, for instance, a whole team of arts specialists, unlike BBC News and ITN which have not a single one between them.)

Incidentally, having somehow got on to the *subject* of TV news staff, those of us who for years have commented on the bags under Peter Woods' eyes, Reginald Bosanquet's hair, Alastair Burnet's weird—though much improved—word groupings and breath pauses, Richard Whitmore's good looks, and so on were rather taken aback by Anna Ford's recent strictures.

The burden of her complaint was that male viewers were more interested *in* her body than her brain, and more concerned with her appearance than with the news she is given to read; and that, similarly, articles about her were mostly to do with her body. Nobody paid the same attention to the appearance or attractiveness of male news readers, she claimed.

Leaving aside the intriguing question of why Anna Ford considers it all right to be admired for god-given attributes so long as they are mental but not when *they* are physical, and leaving aside also my own experieoce that in any mixed group of viewers it will almost invariably be the women who will be the first to comment on the appearance of any news reader, male or female but especially female, does there not seem something rather odd, to put it mildly, about a person who takes a job requiring frequent *appearances* before millions of viewers and then complains when they notice what she looks like?

Her publicity-seeking comments made at a meeting of WIM (Women in Media) suggesting that less attention be paid to her body—where are all these articles about her body?—reminded me of nothing so much as the teacher who sent a little boy to stand in the corner with the injunction "Stay there, and don't think about elephants."

But back to my liking for current affairs programmes. It is, of course, very handy to have a supply of plays and old movies piped to your fireside accompanied by a skeleton news service (a transcript of News at 10 would not fill a single page of this paper).

And when you are ill or feeling lazy or tired or it's raining—most of the time, in other words—the telly makes a very acceptable substitute for the real thing. However it is with current affairs that television can come into its own.

Much of the time, of course, it doesn't; so many of the familiar daily or weekly current affairs series are dreadful so much of the time. But the trackless wastes of what are known laughingly as the summer schedules have this year contained some outcrops formed either by single "special" current affairs programmes or by short series.

Predictably enough not all of them deserved undiluted admiration. *Inside Story*, for example, which is a collection of disparate 50-minute programmes made by various directors working under Roger Mills, has started its new series with two subjects which had already been heavily overworked by television in the past 12 months or so. If we were to get through the next two years without another single programme closely observing the work of the American policeman, or telling us of the terrific difficulties of being homosexual, we would still have had more than enough of them.

True, "Hostage Cops" was a study of a particular department of the New York Police Department which I had not seen covered before, the one specialising in hostage negotiation. As we have come to expect, we were made a party to all those little details making up the lives of other people which seem to the outsider bizarre to *the point* of outrageousness but which are simply mundane nuts and bolts to the insider:

"Negative Stockholm syndrome—you better believe it" (the tendancy of the hostage to fall *out* of sympathy with the captor); the squad's green box with stethoscope, toy periscope, and "pee bottle" for outlasting the criminal, and so on. But the central and hackneyed programme idea that "We ride with the cops" became frustratingly pointless in this instance when the cameras finally accompanied Captain Bolz to an actual incident — which looked to the layman as though it could have been solved by one tactful person with a quiet manner — only to be excluded (rightly enough, perhaps) from the climax to the whole thing.

The style of *Union Power* is in complete contrast, though it, too, uses a format which the production company, Granada, has exploited before: the collection of evidence by the programme's own "commission of inquiry." The trouble here has been the transmission time. In spite of summertime evenings being taken up with repeats and even repeats of repeats, this new series on a topic central to our national difficulties has been put out at noon on Sundays. It is not a time when I, for one, am in the most suitable or receptive mood to follow the often labyrinthine arguments involved.

Ian Taylor's four programmes on the unusual and welcome subject of people and politics in the Caribbean called *Uncle Sam's Back Yard*, were sometimes helped by the presence of roly-poly hail-fellow-well-met Bernard Falk and sometimes not helped quite so much by a Bernard Falk who uses words such as "oppressive" more to express disapproval than to convey any useful definition.

What was needed here was a fifth programme allowing Falk to comment freely on what he had seen, using clips from his own programmes wherever possible, and discussing the various political and economic questions with others who know the areas well.

BBC2's thorough and surprisingly tough pair of programmes about the Arts Council, *Running the Arts*, benefited from an admirable ability and willingness to get the cameras out and *point them* wherever *they were* needed (and even, as with Roy Shaw on the Tube, where they weren't). They gained too from Sara Kestelman's beautifully clear narration. Yet here again an ideal opportunity for further public discussion was missed: the 100 minutes of well researched description was just the sort of proper basis for debate which *Brass Tacks* fails to produce every week in the few minutes film before its verbal brawl.

But even given the various weaknesses of these series, the great thing about them all was that they *were* achieving what theatre, cinema and print media can never equal. They were bringing remote aspects of reality into the sitting-room and in such a way that one could not only see the subjects but begin to understand their feelings too: the distraught black girl in "Hostage Cops"; the touching elderly homosexual reduced to tears by the defiant pride of someone on Gay Switchboard; the telling tone of Barbara Castle talking about "working people" as "them" and not "us"; Teddy Kennedy knowing he should answer Falk's question and managing to talk but saying nothing.

The achievement of this sort of identification even with unsympathetic characters moves on to an altogether higher plane with the series called *Women of Courage* made by Peter Morley and Kevin Sim, four stories told in the same fashion as Morley's earlier painful yet excellent programme *Kitty, Return to Auschwitz*. You might argue that this is not a "current affairs" series, but watching Maria Rutkiewicz last Wednesday talking from the Gestapo cell where she was held in 1944 we were unquestionably learning a powerful lesson about Europe today—*very* current affairs.

Thank goodness for such programmes amid the summertime stodge.

Anna Ford — Trevor Humphries

Ella Fitzgerald and Oscar Peterson at Grosvenor House Hotel. — Trevor Humphries

Grosvenor House

Ella Fitzgerald

by ANTONY THORNCROFT

For a major capital city London's night life is generally, at least as exciting as a wet weekend in Wantage.

Now Grosvenor House is making an annual attempt to ensure that for one week London can compete in the extravaganza stakes.

For the suitably extravagant price of £30 or £50 a ticket you can be entertained by Ella Fitzgerald and Oscar Peterson while circumspectly negotiating *Rosettes d'agneau soutees "Basquaise."* But hurry—there seems to be no lack of glamour-starved customers for the show.

And on Monday's opening night no one looked disappointed. At 62, unlike some of her contemporaries (Frank Sinatra?), Ella Fitzgerald still retains the full resonance of her mellow, mellifluous voice, and her stage-presence has, if anything, grown. She stands, full flowing in black, kindly blessing the audience *through* her spectacles, as she sings the finest songs of the past 50 years in the best possible way—her way. As the standards roll out—"Never be another you," "Ain't misbehavin'," "I get a kick out of you," "Cheek to cheek," "Let's do it"—on and on, it is hard to believe that any other singer could possibly attempt them.

The songbooks of Cole Porter, Jerome Kern, the Gershwins, Irving Berlin, and the rest, can only be safely opened by Ella Fitzgerald. She is the voice of the classic American standard, and miraculously the voice can still rekindle the memories of everyone's past.

A little of the depth may be gone from the lower register but Ella Fitzgerald can take risks at the top of her mighty range and win out comfortably. There is hardly a song under 40 years old and when she does venture into rock, with "All right, OK, you win," it is with relief that she returns to the golden age of the dance-band singer.

Her warm, natural voice was seized on from the start as a 16-year-old in Harlem, and since then it has been an international property. Excellently backed by the Ronnie Scott orchestra and her own Jimmy Rose trio, anyone wanting the best of jazz-pop from the big band era had better mortgage *his house quickly and* get a ticket.

Preceding Ella on stage is Oscar Peterson, whose piano virtuosity must be unequalled. His command is total, and if the sound sometimes seems a little soulless, the technique, assurance, and rhythmic mastery are daunting.

Bournemouth orchestral redundancies

The Bournemouth Sinfonietta is to be cut from 35 to 24 musicians as a result of redundancies.

One musician in the Bournemouth Symphony Orchestra has also been made redundant and three vacancies will not be filled. The cuts are being made because the Western Orchestra Society has almost exhausted its financial reserves and faces a £103,000 deficit in 1980-81.

Bracknell

Festival of English Music

by PAUL DRIVER

The third festival of exclusively English music filled every possible hour of last weekend, as it occupied every inch of space of South Hill Arts Centre and grounds. In spite of an over-hectic schedule and unremitting bad weather, the venture was a success. Credit is due to Graham Stansfield, its programmer, Tony Bellekom, its organiser, and Gavin Henderson, general overseer and the director of the centre.

Publicity had offered "50 concerts for as little as £6" and though strictly the phrasing should have been "a choice of 50 concerts," because most of the time three or four took place simultaneously, there is no denying that Bracknell is good value. The artists were nearly all of high calibre, many outstanding, and made up an extremely varied assortment. Each had been invited, as of Festival policy, to indulge his favoured repertoire, so programmes were bold and diversified.

It was a display of sheer, exuberant musical appetite. All recitals lasted no more than 40 or 50 minutes and followed in hourly succession. Music poured from the walls and echoed in the enormous marquee—one of three erected in the garden to serve respectively as main auditorium (a permanent theatre-auditorium is soon to be built at South Hill, funds holding out), refectory and orchestra-room.

Gavin Henderson compared proceedings to an Edwardian house-party, though Graham Stansfield's preferred model appears to be that of a village fair, complete with clowns, a fire-eater and catering for relaxed family enjoyment.

Everyone who went did seem to be having a good time; the attendance was reasonably non-specialist, composed to a gratifying extent of members of the local community. One may carp at aspects of the format Mr. Stansfield has imposed but his enthusiasm, determination of vision, and catholicity of taste should not be under-estimated.

The peculiarity of Mr. Stansfield's conception is that alongside his clowns and various side-shows—instrument makers at work, demonstration of Northumbrian pipes, fanfares from the roof, and so on—he seems set on giving us a veritably academic survey of the history of English music. Late shows apart, Saturday's and Sunday's programming adhered pretty strictly to a chronological progression from the 11th Century to today. There were workshops and a lecture, and a stress on the fruits of scholarship in concerts where it was at all relevant.

Not surprisingly one often felt struck between seminar and fête, the bulk and rapid turnover of items leaving no time to gather one's wits. An excess of brief but demanding recitals and much incidental distraction made it difficult to attain proper rhythms of concentration; thus the paradox arose that music was presented for its rarity and authenticity only to be turned into *muzack*.

Having used the chronological formula three times now, it might be sensible for Mr. Stansfield to vary it next year as it has undeniable disadvantages (even if it is unique). It divides audiences, straitjackets many an enterprising programme, over-emphasises didactic purpose and encourages greed in programmer and listener alike. The festival would be much more rewarding if it moderated the quantity of events even slightly, allowing a decent breathing space between concerts (on Sunday it was impossible to find a few moments for dinner) and avoiding needless clashes in the time-table.

It is stimulating to be spoiled for choice, but it was particularly unfortunate to have *three* (if any) recitals after the RPO's tremendous performance of Elgar's first symphony on Sunday evening. The artists themselves tend to get short shrift out of the system.

Friday evening's fare was, however, in moderation: a fanfare; a spirited-enough production of *Noye's Fludde* by the Berkshire Schools Orchestra and Choir (the part of God spoken by Reginald Bosanquet), preceded by the customary audience rehearsal which never fails to put one in a jaundiced mood; and a mixture of "super recitals."

Peter Jacobs's cycle of English dances for piano was the salient one and proved a sparkling entertainment, full of *trouvailles* from Vaughan Williams, Holst, Cyril Scott and their contemporaries, cleanly and stylishly despatched.

Christopher Hogwood's immaculate lecture-recital of early English harpsichord pieces the next day complemented Mr. Jacobs's picture of the keyboard dance with instances from Byrd, Tomkins *et al*; and both expositions unwittingly hinted at a context for Michael Finnissy's *all fall down* — one of his numerous sets of piano dances, rather more explosively English—done with an accompanying dancer, Kris Donovan, during his recital on Sunday.

Sunday was the fullest and most interesting day, with items ranging from Victorian glees to a specially commissioned piano piece by Judith Weir; featuring the music of Tippett and John McCabe; and yielding useful discoveries in the form of Percy Grainger's remarkable wind-band arrangements and a selection of piano works by the wholly unassimilated Manchester-born composer John Foulds (1880-1939).

Peter Jacobs approached his major piano opus, *Essays in the Modes* (1927) with an early, Brahmsian, rampaging Variations on an Original Theme and a sweet but supple composition, *English Tune with Burden* (1914). The *Essays*, of which this was the first performance as a complete set of seven (including the world première of no. 6) absorb both Germanic and native styles but vastly transcend them. Each one is built from just the seven notes (without modulation) of a particular mode, chosen from a table of 90 compiled by Foulds that suggests analogies with the experiments of Busoni and with Indian ragas. The ambition is to open up musical fields beyond the confines of a major/minor model alternative.

Mr. Jacobs spelt out the mode for us before playing each essay, and thus equipped it was not too hard to perceive the expressive *qualities in question*, specified anyhow by character titles such as "Exotic," "Egoistic," "Introversive," etc. From what we can now learn of Fould's life and music—thanks to the labours of Malcolm Macdonald—it does seem he was occasionally prone to naivity and grandiosity, but not in these pieces—which establish something like a Debussyan sophistication of means upon the unobtrusive anchorage of his Englishry. Mr. Jacobs did them very ample justice. How many pianists do not know what they are missing!

Compositions by Michael Finnissy followed illuminatingly after the Foulds and Grainger concerts. Finnissy shares these composers' concern to reveal what is closest to home by taking the listener on deliberately exotic journeys. *Midsummer Morn*, from the piano marathon *English Country-Tunes*, subjects a simple folk-source to a formidable barrage of virtuosity but manages somehow not to distort its essential character, not to be grotesque.

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Old Vic

Divertissement

by MAX LOPPERT

This week the Old Vic celebrates the arts of the French Baroque stage, becoming at the same time the temporary home of the English Bach Festival, whose Divertissement of dances to music by Lully, Jean-Féry Rebel, and Handel and whose production of Rameau's *Naïs* are being given on alternative evenings.

A large debt of gratitude is owed the Festival for its persistent exploration of a field and a range of dance and operatic styles as rewarding as they are difficult to resuscitate; but it has to be said—for last night's opening performance of the Divertissement provided a clear reminder—that there is still some way to travel before the product of the efforts of Lina Lalandi and her devoted band of experts can be accounted fully convincing. The Old Vic stage is bare—devoid of scenery and, apart from the diversion of the costumes and and the dances made by Belinda Quirey for Handel's *Water Music*) of a cerulean back-projection, devoid of colour. Visual monotony, the inevitable consequence, confers on the evening a lack of authenticity for which no amount of carefully researched detail in the musical and choreographic realisation can wholly compensate.

It remains an evening in which charm, interest, and instruction are combined nonetheless. The combination was least potent at its start, in the dance interlude supplied by Lully for Cavalli's *Ercole amanta* (the opera given for the wedding of Louis XIV); this was first seen in the EBF Cavalli-Lully revival at the Elizabeth Hall last May. The music, conducted with a mousy under-articulation of rhythm by Nicholas McGegan and nervously sounded by "period" instruments from the unhelpful location of the Old Vic pit—made [illegible] personalities of the dancers—sober and industrious, seldom truly expressive, never vivacious or grandly communicative—seemed to dull the entertainment still further.

With the Rebel suite—music of lively spirit, flashing colour and strange quirks of invention to put one in mind of a C.P.E. Bach of an earlier era—the theatre stirred to life. Miss Quirey's dances to the *Water Music Suite* are eloquent of her feeling for the shape of a musical phrase; and though the playing was hardly robust it sounded a good deal less uncertain. A word for that vivid young soprano Ann Mackay: an aria for Venus during *Hercule amoureux* was sung in a manner that temporarily invited a higher opinion of Lully; and in the exquisite aria "Rossignols amoureux" from Rameau's *Hippolyte et Aricie*, sung as an interlude between Lully and Rebel, her tone was prettily, and

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Approaching two million

THE LATEST unemployment figures published yesterday are even higher than bad been generally predicted. At nearly 1.9m in July, and with some school leavers presumably still to register, suggestions that they will top the 2m level in the near future can no longer be discounted.

The figures look bad in a number of different ways. The gap between the South East and much of the rest of the UK, which was so marked in the voting patterns in the last general election, appears to be becoming even greater. In the Northern region, for instance, unemployment is now 11.4 per cent. The comparable figure for the South East is 5 per cent. Yet even in the South East, including Greater London, the number of jobless is now rising fast. No area is immune, though some are worse hit than others.

Above all, it is the sharpness of the rise between June and July which is striking. Even excluding school leavers, the seasonally adjusted figure went up by 71,000 in a month and is now 330,000 up on July last year.

Anticipation

There is one sense in which the Government has been caught napping. It knew that the rise in unemployment was on its way, even if it may have been taken unawares by the depth of the recession. As Sir Geoffrey Howe, the Chancellor of the Exchequer, said yesterday: "I have to say that we warned that such figures were coming and that no-one should be under any illusions about the reasons for them." Yet the series of special training measures now being hastily put together has a makeshift air about it. If the Government anticipated the figures, it could also have anticipated some of the actions necessary to alleviate them. It is not entirely convincing for Mr. James Prior, the Employment Secretary, to say in the House of Commons that job training systems in this country leave a lot to be desired and that something will have to be done about them in the course of the summer. There is something to be said for being prepared. That the problem would become acute this summer could have been foreseen.

The Government will be right, however, if it now concentrates on specific measures rather than considers any change in its macro-economic policies. The principal task is to help school leavers. If the young do not find job opportunities in their first year after leaving school, the chances of their ever fitting into the workforce will be significantly diminished. It is the Youth Opportunities Programme, which provides training courses and work experience, that needs to be expanded. Further thought might also be given to the idea of voluntary service in so far as this would not provoke unnecessary conflict with the trades unions. It is understandable, for instance, that the unions should object to the introduction of volunteers to work that is already being done, such as the clearing of garbage. It is quite unreasonable that they should object to volunteers doing work that is not being done, such as the cleaning of rivers or helping the elderly. It should be remembered that the net extra cost of training schemes is not all that great since the alternative is simply to pay unemployment benefit.

Lesson

For the rest, the Government will have to learn the lesson that it has latterly begun to learn about pay. It is not enough to sit back and expect people to reach reasonable settlements. It is necessary to go out into the country to explain what you are doing. The Government is desperately open to the charge, launched again by the Labour Party yesterday, that it is uncaring about the shorter term consequences of its policies. The charge would have been more easily refuted if it had given more thought to looking after school leavers.

Time and again, one comes to the conclusion that the Government's long term aims are right, but that it bas failed to explain them adequately. The young, too, need to be convinced, in the North as well as the South. There is an opportunity as well as a challenge.

Keeping Spain waiting

THE EUROPEAN Community this week reassured Spain and Portugal that their EEC entry negotiations would proceed on course. But the Nine gave no political commitment to the January, 1983, entry date that the two Iberian countries are aiming at. Equivocation over the next round of enlargement, after Greece joins at the beginning of next year, has been increasingly apparent in the six weeks since President Valery Giscard d'Estaing dropped a heavy hint that Spanish membership might have to be delayed as a result of the problems which have arisen inside the present Community over the budget.

Reassurances

Inevitably, this provoked protests from the Iberian candidates: the Spanish, in particular, have for some time felt that Paris is doing far less than it could to curb ETA terrorists on the French side of the border, and it has had difficulty in accepting French reassurances that the President is not merely using the budgetary fight as a pretext for keeping out Spain's agricultural produce.

The President has subsequently tried to lessen the damage by asserting that there was no change in French policy, merely a change in the objective situation: if the Community's financial rules were being put in question, or if there were to be a review of the Common Agricultural Policy as a result of a revision of the financial rules, then by definition no new member states could enter until these problems had been sorted out.

As far as it goes, that is an unanswerable position. What is wrong with it is the unstated assumption that the Community's internal problems can probably not be sorted out in time to permit Spain and Portugal to join on schedule. Such an assumption might be vindicated if the Community were to wait until 1982—when the three-year compromose over Britain's contributions runs out—to start thrashing out a long-term solution to the budget. But there can be no reason for such delay.

Equally absurd is the President's converse proposition, to the effect that there would be no obstacle holding up the entry of Spain and Portugal, if only the other member states (i.e., Britain) would immediately declare their readiness to adhere to the established Community rules on finance and on agriculture. First, the cost of the CAP is rising steadily to the point where, in the not-too-distant future, there would in any case have to be a review either of the budgetary rules, or of the CAP, or both. Second, these financial strains will be aggravated by the admission of three new member states with large farming sectors. Third, the French themselves say that CAP support mechanisms must be strengthened for those Mediterranean fruit and vegetables which are characteristic of Iberian agriculture, and that certainly does not imply any cut in the cost of the CAP.

As stated, President Giscard d'Estaing's position is disingenuous, and is not, therefore, a straightforward exposition of what he has in mind. The simplest interpretation is that he is only addressing a domestic political audience; he is merely electioneering in advance of next May's presidential elections, so as to reassure those French farmers who already feel threatened by Spanish imports, but without seriously believing that the budgetary problem need therefore hold up the next phase of enlargement.

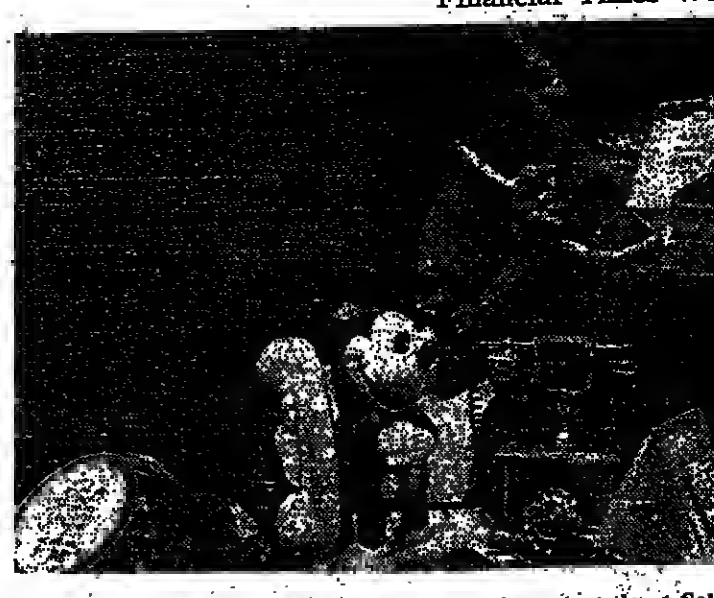
Procrastination

Alternative explanations are much more baffling. He may well foresee another major battle with Britain in 1981-82 over a long-term solution to the budgetary problem, and he may be prepared to drag out that battle long enough to ensure that the entry of Spain and Portugal is delayed, while setting Britain up as the scapegoat. But if he thinks that the Community can get away without a serious look at the costs, and thus at the mechanisms, of the CAP, then he must assume that Britain and Germany will be prepared to lift the ceiling on the Community's maximum financial resources, and that implies optimism of a very high order.

With acrimony over the last budget fight so fresh in the Community's memory, it would be understandable if member governments were reluctant to probe these very sensitive issues until the dust has settled. But the time-table does not favour procrastination: the negotiations with Spain and Portugal and the rising costs of the CAP both argue for starting sooner rather than later. The Community cannot afford to wait until after the French election to find out what the President really means.

UK TELECOMMUNICATIONS • BY GUY DE JONQUIERES

Sir Keith changes the rules of the monopoly game



Roger Taylor

New opportunities: telephone receivers on sale at Selfridges in Oxford Street

IN FRAMING its policy for ending the Post Office's telecommunications monopoly, the Government bas had to strike a delicate balance between the conflicting interests of the corporation, its customers and its equipment suppliers. The resulting compromise appears to have met many of the most urgent concerns of all of them but has left nobody completely satisfied.

As Sir Keith Joseph, the Industry Secretary, made plain this week, a major objective of the changes in the short term is to improve the lot of business users, and particularly of large companies and City institutions which depend for their livelihood on unrestricted access to telephone and data communications.

The business community has welcomed the moves, but with reservations. According to Mr. Stephen Finch, deputy chairman of the Telecommunications Managers Association (TMA), which represents about 350 large companies, it may be five years before the policy has any significant impact.

"It's probably going to be at least three years before the new policy starts. Then it will be another two years or so before you get a new piece of telecommunications equipment installed and running," he says.

He is also distressed by the Government's decision to allow the Post Office to retain a say in the approval of new private automatic branch exchanges (PABXs) and a monopoly over their maintenance. He believes that this will lead to a restriction of choice because the Post Office may insist that new equipment be modified to suit its own engineers rather than the requirements of customers.

"I am also disturbed that the Government has set no standards for Post Office maintenance," he says. He would have liked the Government to hold the Post Office more closely to account by explicitly reserving the right to remove its maintenance monopoly if it did not perform adequately.

Nonetheless, business users can look forward to a wider selection of PABXs, particularly of the smaller exchanges of up to 100 lines, of which the Post Office is the monopoly supplier. Its equipment at present is subject to shortages and based on somewhat outdated technology.

The Post Office's traditional suppliers of small PABXs — General Electric Company (GEC), Plessey, Pye TMC and Standard Telephones and Cables (STC) — have newer models on the way, mostly using technology developed in North America. But it will take time for their production to build up, and there is bound to be eager competition from other suppliers to fill the gap.

EQUIPMENT MARKETS BY TYPE OF CUSTOMER AND SOURCE OF SUPPLY 1976
(percentage of total sales to area indicated)

	Customer		Source	
	P.T.T.*	Other	Local	Imports
Major European Countries	%	%	%	%
UK	77	23	87.0	13.0
Germany	72	28	93.0	7.0
France	72	28	94.0	6.0
Italy	86	14	90.0	10.0
Sweden	57	43	75.0	25.0
Netherlands	72	28	48.0	52.0
Belgium	71	29	57.0	43.0
Total of 7 Majors	75	25	87.0	13.0
Other Europe	84	16	67.0	33.0
Total including rest of the world	88	12	54.0	46.0
Canada	N.A.	N.A.	86.0	14.0
U.S.	N.A.	N.A.	98.02	1.98
Japan	73	27	99.3	0.7

* Post and telecommunications administrations.

Source: Policy Research Unit, Sussex University

MAJOR TELECOMMUNICATIONS EQUIPMENT MANUFACTURERS

	TOTAL SALES IN $bn		% OF SALES OUTSIDE HOMEBASE COUNTRY	NEXT SHARE OF SALES %	
	1976	1977	1976	1976	1977
Western Electric (U.S.)	6.93	8.13	0	34.4	24
I.T.T. (U.S.)	3.35	3.77	92	12.3	13
Siemens (W.Germany)	1.96	2.09	41	9.7	9
Ericsson (Sweden)	1.56	1.67	84	8.7	5
G.T.E. (U.S.)	1.33	1.54	51	6.6	5
Northern Telecom (Canada)	1.08	1.22	16	5.5	4
Nippon Electric (Japan)	0.84	0.90	44	4.5	4
Phillips (Netherlands)	0.82	N.A.	81	N.A.	3
C.G.E. (France)	0.62	N.A.	18	N.A.	6
Thomson-Brandt (France)	0.60	N.A.	12	N.A.	
G.E.C. (U.K.)	0.53	N.A.	26	N.A.	3
Plessey (U.K.)	0.39	N.A.	24	N.A.	
TOTAL				81.7	76

Source: Policy Research Unit, Sussex University

Equally important to business customers is the planned relaxation of rules governing equipment that may be attached to the Post Office's telecommunications network. There have been complaints about the cumbersome procedures the Post Office insists on for approving the types of equipment which may be plugged in.

In future, responsibility for certifying this equipment will be vested in an indepedent body which, it is hoped, will hand down decisions more rapidly. There are two compelling reasons for hoping that this will be the case.

The first is the rapid development of so-called distributed data processing. Falling prices of computer equipment have made it possible to disperse computing power widely through an organisation by scattering terminals where they are needed. The terminals can be hundreds, even thousands, of miles apart. But to function properly they must be linked to a reliable communications network.

The Post Office is in a strong position to compete.

The second factor, as Sir Keith acknowledged this week, is the convergence of computer technology and communications. This phenomenon seems likely to find its fullest potential in the office. The coming decade will see development of complex office systems in which equipment such as word-processors, facsimile machines and copiers is connected in a digital communications network.

The Post Office has been widely criticised for requiriog that such machines be linked to the network by a device of its own design, known as a "modem." This converts digital data into analogue form, suitable for transmission on a telephone line, and back again at the receiving end.

Customers complain that the Post Office's modems are not only cumbersome and in short supply, but also unnecessary because most modern data-processing terminals have their own modems built in. By insisting on interspersing its own devices, the Post Office merely causes delays.

The Corporation has implicitly recognised the force of this argument by breaching its own monopoly in its policy for the Prestel viewdata service. Anxious to build up the number of Prestel sets installed as rapidly as possible, it authorised television manufacturers to design and fit their own modems.

The Government's demonopolisation programme poses a double challenge to the Post Office's main suppliers. Not only will they have to adjust during the next three to four years to the ending of a long-standing privileged relationship with their principal customer, but they will also have to give serious thought to the type of equipment they manufacture.

The Government has taken steps to protect British manufacturers from the threat of an influx of cut-price telephone receivers from countries like Taiwan and Japan. As well as granting the industry a three-year adjustment period, it has said that foreign manufacturers would be permitted to export to the UK only if their home markets were open to British telecommunications exports.

How workable this approach will be in practice remains to be seen. It not only raises some sensitive questions about trade policy but could also be difficult to police. In any case, the real challenge to UK manufacturers in the future will probably lie not in the market for basic telephone receivers but in the competition to supply more complex pieces of equipment.

The telephone as most of us know it today will change radically in the coming years. Advances in technology will not only bring refinements like repeat-dialling and abbreviated dialling codes; they also promise to alter the functions of the subscriber apparatus used in homes and offices.

The trend of tomorrow is towards expanding the role of the telephone from being a mere transmitter/receiver into something more like a computer terminal. The use of microelectronic circuits and memories will enable "intelligence" to be added, so that data received down the telephone can be processed by the subscriber. A television screen could also be fitted to enable people to see as well as bear each other.

The incentive for manufacturers to design and make more sophisticated telephone terminals will be the added value to be obtained from adding functions. By opening up this market, the Government will remove the long-standing complaint of UK suppliers that their technological inventiveness has been restrained by the Post Office's nit-picking insistence on rigid technical standards.

The Government has indicated that it sees the U.S. as a promising market for British telecommunications exports. The virtual monopoly enjoyed for many years by American Telephone and Telegrapb is being steadily eroded, and this process seems likely to continue, especially if the U.S. Justice Department succeeds in its efforts to break up the giant corporation into several parts.

But the U.S. is also the home of some of the toughest competitors on the world telecommunications market. Companies like IBM and Xerox are moving increasingly into the communications field, while Western Electric, AT and T's manufacturing arm, is striving to build up its international business.

Clearly, if Britain's indigenous manufacturers are to survive these challenges, they will have to use the next three years or so to strengthen their product lines and marketing strategy.

The Post Office, for its part, appears fairly relaxed about its prospects as an equipment supplier to a de-monopolised market. Its Chairman, Sir William Barlow, said this week that it looked forward to competing in some new areas, such as the market for larger PABXs. It may also withdraw from the supply of some other equipment.

The Post Office is in a strong position to compete. It will keep its extensive marketing and distribution network and has an intimate knowledge of many of its customers' needs, even if it has not always been able to satisfy them. It should thus continue to appeal to a number of manufacturers as a volume outlet for their equipment.

But the Post Office is worried by two points in the Government's plans. The first is that the proposal that it should set up separate, arm's length subsidiaries—to which private investors would be encouraged to take shares—to handle the supply, installation and maintenance of terminal equipment and the provision of specialised services.

Sir William is concerned that this requirement could involve higher costs, which would place the Post Office at a competitive disadvantage.

The second source of anxiety is longer term, but potentially much more important. It stems from uncertainty about the Government's plans for the Post Office's telecommunications network.

Initially, at least, the Post Office will retain its monopoly over the network, though private operators will be permitted to offer on it limited types of commercial services such as data processing.

But the Government has clearly rattled Sir William by hinting at the possibility that it will allow private operators to compete directly with the Post Office in the future. The Government's aim, according to Sir Keith Joseph, is the total liberalisation of the network. It plans studies both of the economic implications of such a step and of the feasibility of

The Government's aim is total liberalisation of the network.

allowing private companies to offer satellite communications for business users.

A glance at the Post Office's accounts show why it is worried. The bulk of its profits is derived from the revenues from its subscriber network and international telephone and telex operations. Indeed, the Post Office loses money on all its other activities.

If private competitors were allowed unimpeded access, they would offer services on the busiest and most lucrative services, the inter-city trunk lines. By "creaming off" profits, they would deprive the Post Office of revenues needed to subsidise loss-making rural services and to finance investment.

That possibility throws into sharper relief a fundamental issue; whether the Post Office is a commercial enterprise or a public service. The question has been raised in the Corporation's current efforts to persuade the Government to allow it to borrow more. It has not been satisfactorily resolved by this week's decision. But the Government will have to make up its mind if it is to put into effect the total liberalisation which Sir Keith Joseph would like.

MEN AND MATTERS

Aussie comes a-courting

"Just wanted to make my feelings clear on that Aussie bid"

Since the days when he combined running a night club with his pursuit of a law degree at the University of Western Australia, Robert Holmes à Court has not once veered from his ambition to be rich and influential.

An old university friend tells me he clearly remembers the time when à Court drove his girlfriend round the poshest suburbs of Perth pointing out to her the house and car he would one day own. Now, a week before his 43rd birthday, he has his houses, cars, a stud farm and a multi-million pound business which he is currently trying to expand further with a 25 per cent stake in Rolls Royce Motors.

Starting his empire-building in the nickel boom of 10 years ago his modest investments yielded him his starter capital of about £30,000. He moved first into sleepy Albany Woollen Mills and rapidly developed his all-purpose commercial and financial vehicle, Bell Group.

"He is very keen to expand his financial empire, and the Rolls bid is probably a good way of attracting international attention to the group," one Australian broker says. "Even if he gets only 10 per cent (he is already reported to hold 3.5 per cent of RR equity) I am sure he will be well satisfied."

"Not the warmest of people," says his college chum, Sheppards and Chase partner Robin Barttelot, à Court is well used to the sort of rebuff doled out yesterday by the indignant Rolls board. His sharp financial eyes and entrepreneurial spark set him apart from most of the businessmen in Perth. An outsider, born in South Africa, he is said to have seen prospects of gold in enterprises where the local commercial community saw only dust. "A lot of sleepy old West Australians accuse him of being 'sharp.' I think he is just misunderstood. He is simply an ace card player."

He is also an aristocrat—not something he flaunts—born of the line which leads back to Buckinghamshire and Baron Heytesbury, who must surely be proud of the way his distant cousin is living up to the family motto — Grandescunt aucta labore — Increased by labour, they grow large.

Bed to board

Not many doctors would recommend the form of convalescence chosen by John Williams, the new chairman of Newman Industries. In June last year, he retired as chief operating officer of BOC International because of "serious ill health."

Picking up a golden handshake of £162,500 on the way out, he tells me he was confined for months to a hospital where "doctors replaced my heart in the same manner as they did with Lord Soames."

Technically the non-executive chairman of Newman, there is no doubt that Williams will be busy with the job for the time being. The company's previous chairman, Alan Bartlett, was unceremoniously fired earlier this year after a lengthy court case which caused certain discomfiture in the boardroom.

Williams admits coyly that he "investigated something of the background" to Newman's problems but says he now wants to put the past behind him. He is being joined on the board by John Dowling, who will also have a non-executive role.

The pair will have their work cut out. Newman plunged to a loss of almost £2m in the second half of last year and the recession is not doing much to brighten the prospects. As if that were not enough, Newman is also having to keep an eye on London and European Group, which has been building up a significant stake. Asked why he took on this job, Williams told me bluntly: "Someone had to do it."

Hospital case

Grosvenor Estates, London's largest private landlord, is unlikely to be amused by a suggestion in the Commons today that the Government should try to deprive it of its right to buy a priceless site in Belgravia for a knock-down £23,700.

That is the price the hospital authorities of the time paid for the site of St. George's Hospital on Hyde Park Corner in 1827—part of the land that the Grosvenor family picked up in 1677 when Sir Thomas Grosvenor married 12-year-old Mary Davies. The family "sold" the freehold in 1827 but reserved the right to buy it back at the original price if it were ever put on the market.

The hospital now lies empty, a victim of Health Service cuts, and Government Ministers have yet to say what they intend to do with it. However, a question in the Commons today from Reg Freeson, an Opposition spokesman on health, may stir things up. Indignant at the idea that Grosvenor could buy the site back for such a paltry sum and fearing that the building may fall down before a decision is made on its future, Freeson will ask if the Government can "take steps to acquire compulsorily the restrictive covenants."

Grosvenor, needless to say, stands firmly by the law of the land. Its view is that short of changing the law no one can remove its pre-emptive right to claw back young Mary's dowry.

Auntie's lot

Following Auntie's sale of her old dresses last week, I can now report that she has traded in her old car and come away with a profit of £2,500.

With her new-found zeal for making a few bob Auntie Beeb swopped a replica of Sir Malcolm Campbell's Bluebird, made for a TV production, for three old American cars owned by the Lakeland Motor Museum in Cumbria. With the sharp eye of second-hand dealer she then put the vehicles—a 1934 Terraplane, 1936 Chrysler C7 and a 1937 Studebaker President—in the collectors' auction at Beaulieu yesterday and came away happy with the cheque.

Still rummaging in her attic for other saleable bric-a-brac, Auntie tells me that while the public does not expect her to think on such entrepreneurial lines, "the word is that we are looking for any opportunity to generate more cash."

Compensations

Heard at Gamberwell bus stop: "I know this country is in a bit of a mess, luv, but it's still the best place in the world to live in if you're prepared to rough it."

Observer

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FINANCIAL TIMES SURVEY

Wednesday July 23 1980

Egypt

Prosperity for Egyptians is said to be just round the corner, but President Anwar Sadat has to prevent economic conditions from worsening if it is to be turned. Sweeping changes have been enforced and new industries, new cities and new homes are promised. In Egypt, the future is always officially rosy.

President Sadat

Middle East peace grows more elusive

By Roger Matthews, Cairo Correspondent

IF IT is better to travel hopefully than to arrive, Egypt should be content. The road to full peace and a comprehensive Middle East settlement is still technically open, if increasingly bumpy.

The prosperity which is supposed to accompany peace is officially just around the next corner. The massive land reclamation programme that will eventually provide food for Egypt's teeming masses is officially taking abape among the desert mirages. New cities, new industries, new homes, better telephones, improved transport, bullish foreign investors and eager bankers jostle for space on the front pages of the local newspapers, orchestrated by an ebullient President Anwar Sadat, for whom the future never appears anything but rosy.

And should all these benefits be just a little slow in arriving, there is the daily satisfaction in being a citizen of the only truly homogeneous country in the Middle East, one that has existed as an entity for more than 7,000 years and one that is bappily free from the horrors of Libya, the fighting of Lebanon, the civil strife in Syria, the repression of Iraq or the turmoil of Iran.

The reverse side of that same coin is startingly different. It shows a tiny country—its habitable area is only 38,500 square kilometres—rather less than Denmark, rather more than Belgium and about the same size as West Virginia—sinking under the weight of a population that is increasing at nearly 3 per cent a year or a million every ten months.

At current rates of increase it could reach an impossible 143.3m by 2025, or on the most optimistic assumption of an average three-child family, aome 60m in 20 years from now. Even this reduced level would effectively absorb all growth in gross domestic product and would therefore ensure no improvement in individual living atandards.

Positive element

An increasing proportion of the average 9 per cent to 10 per cent GDP growth over the past four years has come from oil, which with estimated foreign exchange earnings this year of $2.2bn will become the largest positive element in the overall balance of payments.

But if domestic oil consumption is allowed to continue rising at its present rate, which because of heavily subsidised prices is already effectively costing tbe country some $2.8bn this year, Egypt's exportable surplus could be eliminated by 1987 unless there are major new discoveries.

The present policies of the Egyptian Government show little concern for these sobering statistics for reasons that are wbolly understandable. Mr. Sadat, having pledged last month after 10 years at the belm to devote 95 per cent of his energies to domestic problems, is still beavily engaged in his great foreign policy gamble.

He knows that come the third anniversary of his historic trip to Jerusalem on November 19 he is unlikely still to be able to demonstrate much progress towards a wider Middle East settlement.

While waiting hopefully for President Carter to be re-elected and Mr. Menabem Begin, the Israeli Premier, to fall, Mr. Sadat has to demonstrate the valadity of the peace equals prosperity equation. Or, more realistically, given the gentle cynicism of his invariably smiling constituents, he has to prevent any worsening of economic conditions that would emphatically invalidate his premise.

Thus in May he swept aside most of the old Cabinet, installed himself in the purely nominal role of Prime Minister, selected a man of similarly impressive initiative to be in sole charge of the economy and went live on television to give in full public view his precise instructions to the ministerial team.

First among these instructions was to cut prices and wbere that was not immediately possible to freeze them. Second was to stamp out rampant profiteering, in itself an important cause of inflation. Third was to ensure tbat everyone in Egypt bad sufficient food and fourth was to ensure that everyone had sufficient income.

In the flurry of activity that followed these edicts, Dr. Abdel Razzaq Abdel Meguid, the new economic supremo, lifted the minimnm wage 25 per cent, increased subsidies on a range of commodities, cut some customs dues, created a new national investment bank, introduced new import regulations, changed the fiscal year, balanced the budget for the first time in modern history and persuaded the foreign banks to lodge 15 per cent of the foreign currency deposits with the central bank.

Fearless of indegestion, Dr. Abdel Meguid bas promised in tbe near future a complete reorganisation of the public sector industries, a number of new geographically located development corporations, fresh moves towards the formation of a genuine capital market and the creation of an export-import bank.

In the interim be also invited a team from the International Monetary Fund to visit Cairo to negotiate a new three-year facility. They left, apparently bemused, and promised to come back in the autumn wben perbaps the dust migbt have settled a bit.

Movement

Whatever eventually emerges from Dr. Abdel Meguid's spell of economic wizardry—and there may be some highly beneficial effects in delegation of power consultation and detail form a rather larger part of the package —it cannot be denied that a tremendous sense of movement has been created. This may be of short-term political value but it has to be questioned wbether the Egyptian economy wbich was showing positive signs, especially in external payments, of making a useful recovery from the low point of late 1976 and early 1977 really can absorb so many changes in sucb a short period without damaging confidence.

Dr. Abdel Meguid's stated policies of encouraging the private sector, making more efficient the State-run industries and trying to reduce the growing gap between the few rich and the mass of the poor, are ones to be found throughout the Western world where it is equally admitted that success comes slowly and can only be achieved through careful preparation.

Much the same is true of foreign policy, wbere Mr. Sadat set off at a gallop to Jerusalem, slowed to a canter, speeded up again to get past the peace treaty winning post and is now reduced to less than a walk on Palestinian autonomy. Mr. Sadat calculated that Mr. Begin was perbaps the only Israeli leader wbo would give up Sinai for a peace treaty. Now he is urgently looking for a change in Israel in the hope of making any progress on behalf of the Palestinians.

The slightly conciliatory feelers put out a few weeks ago by Saudi Arabia appear a reflection not of its willingness to become involved in Camp David, but rather of trying to open a way for Mr. Sadat should he decide that he has reached a dead end.

Mr. Sadat has admitted almost as much when he said that he thought Mr. Begin could not be persuaded to go any further along the road to a comprehensive settlement.

At the same time the development of bilateral relations with Israel bas been halted. Egypt is following the letter of the Camp David accords, but the spirit is certainly missing. As far as "normalisation" is concerned, just as it is on the Israeli side in the policies pursued by Mr. Begin's Goovernment towards the occupied territories.

Looked at from a Western orientation, this might imply that President Sadat would be in trouble at home, especially when at the same time he appears to have flown in the face of militant Islamic sentiment by providing a home for the deposed Sbah of Iran and giving the U.S. facilities for its failed mission to rescue the hostages in Tehran.

The contrary appears to be true. Egyptians generally do not seem to care much about foreign policy so long as it does not impinge negatively on their ability to feed themselves and their families. The policy of "Egypt first" as practised by Mr. Sadat and linked to massive aid flows from abroad is not an unpopular one except among certain stratas of intellectuals, committed pan-Arabs and those who still hark back to the days of the late President Gamal Abdel Nasser.

However, there are major qualifications. Prosperity, wbich frankly cannot be delivered, is the linch-pin, the justification for the current foreign policy. Hence the Canute-like bid to turn back the tide of rising world prices by a nation beavily dependent on food, raw material and capital goods imports.

Because Egyptians are basically so warmly tolerant there is no way of guessing when their frustrations might become more vocal, but it does not need a crystal ball to forecast that any eventual bitterness would also be turned against the State of Israel.

Potent force

If and when such a moment occurs, the parallel but differently focused resentment of the Islamic fundamentalists in Egypt against the presence of the "Zionist aggressor" and the Shah of Iran, not to mention the U.S. and the West in general, could just combine to form a potent force.

Tbe only real ruffles on the domestic political tranquility of Egypt this year bave come from the various fundamentalist Islamic groups. The confessional clashes in Upper Egypt, which brought such stern warnings from Mr. Sadat in May, are thought to bave been as much inspired by opposition to the President as to the more traditional niggling between the Moslem majority and the Christian minority.

Egypt is very far from a Western-style democracy, but dissidents can meet and speak reasonably freely. There is a wide and dangerous gap between the rich and poor that is growing larger and tending to be increasingly flaunted. The Government is aware of the threat but it is difficult to see bow under the present leadership it is going to be effectively checked.

President Sadat, bowever, has already assured himself a notable place in history through his foreign policy activities. While the military remain loyal, as they appear to be, while there is enough food in the country at prices which people can afford, while neither the rest of the Arabs, Israel nor the United States does anything too outrageous to upset the Middle East applecart, Mr. Sadat seems set fair for the start of his third six-year term as President.

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New minister for the economy produces sweeping policies

CURRENT economic developments in Egypt have an element of make-believe about them. Most of the fundamental problems—uncontrolled population growth, poor housing, a collapsing infrastructure, a costly public sector, a trade deficit and inflation now running at about 40 per cent for the middle classes—remain unchanged.

But three main features have contributed to this sense of slight disbelief among observers, Egyptian and foreign alike. What happens in the economy is now more important politically than ever before because President Sadat, by his own evidence, has decided to make domestic affairs a priority over foreign policy.

Dr. Abdel-Razzaq Abdel-Meguid, the newly appointed Deputy Prima Minister in charge of the economy, gives current developments the inflated title of "the new economic policy of tha government."

The first factor is that contrary to some panicky calculations by the Egyptian Government last year, the economy has not been seriously affected by the Arab boycott drawn up in protest against Egypt's moves towards making peace with Israel. For example, workers' remittances have been virtually unaffected. It was as a result of changing economic circumstances on the Arabian peninsula rather than political decisions by the Arabs.

Arab aid worth about a total of $700m a year allocated at the Arab summits in Rabat and Khartoum has been halted. The issue of the $2bn worth of Saudi and Kuwaiti deposits at the Central Bank, has remained controversial but is effectively frozen. It has not been and probably cannot be withdrawn.

Arab target investment has been continuing at the rate of about $150m a year. Arab tourism fell last year but has picked up again this year. Trade with other Arab countries has fallen slightly, but this rarely represented more than 3 per cent of Egypt's overall trade.

More significant have been two related developments: the enormous rise in oil revenues and the somewhat spectacular launching of new economic policies. Net receipts from oil and petroleum products have risen from E£260m ($371m) in 1977 to $1.8bn in 1979.

Underestimate

Dr. Abdel-Meguid expects earnings to reach $2.2bn this year, although this could well be an underestimation. Income during the first quarter of this year was E£493m ($704m), E£70m up on the same quarter last year. Even if prices only hold steady, this income could well exceed the fiscal year estimates of E£1.8bn ($2.7bn).

In the 1980-81 budget—and one of the first acts of the new Government was to advance the start of the fiscal year from January 1 to July 1—exports in this sector are calculated to rise 10.9 per cent over the earninga of the previous year.

This has not only bought the Government time to get through the next months but has transformed foreign exchange holdings and the balance of payments. It has given Dr. Abdel-Meguid some room in which to exercise his startling new policies. Thus foreign exchange holdings, $300m in October last year, stood at the end of March at $800m.

The transformation in the balance of payments has been equally dramatic. Dr. Abdel-Meguid claimed earlier this month a surplus of $400m. The deficit on the balance of current account transactions and transfers has reached $1.08bn between 1977 and 1979 (when it totalled $1.51bn).

By the end of the first quarter of 1980 there was a total surplus on current and capital accounts respectively E£50m ($71m), and E£190m ($271m); making E£240m ($343m).

This was entirely due to increases in the main sectoral earnings of oil, tourism (worth $500m last year), the Suez Canal ($600m last year, and slightly up this year), and cash remittances from Egyptians abroad.

While both foreign exchange holdings and a balance of payments surplus give encouragement to such bodies as the International Monetary Fund (IMF), whose team visited Cairo earlier this month, significantly they failed to reach agreement on the basis of replacing the $730m credit facility which collapsed three months after it was originally signed in 1978.

What concerned the IMF team somewhat—and at this stage it is too soon to make a comprehensive judgment—was the new philosophy of the reshuffled Cabinet and of Dr. Abdel-Meguid. Broadly, his predecessors were trying to cut down wasteful sectors of the economy, largely by reducing subsidies and restricting government expenditure—in particular the budget deficit.

By contrast, the new Government has announced sharp price cuts, a freeze on public sector prices, a rise in subsidies and wage increases which involve raising the minimum wage from E£10 to E£20 a month. It is intended to change the role of the still dominant public sector.

First surplus

The centre-piece of Dr. Abdel-Maguid's policies was the introduction of a Budget, facilitated by the new fiscal year, in which there was to be the first surplus in Egypt's modern history. This is to be compared with the original 1980 Budget, whose deficit might have exceeded $2.5bn.

It is not reassuring that this new Budget was drawn up hastily in a fortnight, so that most figures must be used with extreme caution. Furthermore, double accounting makes the figures additionally opaque. But for 1980-81 current uses are to total E£5.67bn ($8.1bn), and revenues E£5.89bn ($8.4bn), leaving a surplus of E£218m ($311m).

What has been coolly extracted from this computation is the investment budget totalling E£4.1bn ($5.86bn), of which the public sector is to contribute E£3.2bn ($4.57bn). The rest is to be derived from the private sector and foreign sources.

This investment budget corresponds almost exactly with previous estimates of the budgetary deficit. But with the help of domestic finance, of E£2.86bn and a foreign inflow of E£1.24bn, there is confidence that this can be covered.

Other targets in the budget (compared with a putative 1979-80 year) include a rise in production of 9.9 per cent and in gross domestic product of 10.8 per cent to E£14.51bn ($20.73bn) at constant prices. The current account presupposes a fall in the deficit from E£1.55bn to E£1.15bn. The latter would be made up of a trade deficit of E£2.62bn ($3.75bn), a surplus of non-factor services of E£1.79bn ($2.56bn) and investment imports showing a deficit of E£313m ($448m).

To some extent it is not unfair to say that this hurried approach has been typical of the new measures as a whole. Some have caused confusion and hostility. Prices on all public sector industrial products were frozen and for some 400 commodities they were cut, resulting in extreme cases in traders withholding their goods. It was also announced that a gentlemen's agreement had been initiated with all foreign banks, who, it must be admitted, have thrived on President Sadat's more liberal economic policies, whereby they were to place 15 per cent of their foreign deposits with the Central Bank.

Confusion again ensued, with neither banking side knowing exactly what was going on. Mr. Sadat also repealed Law 600, under which import dues had to be paid in dollars rather than Egyptian pounds. This was an overdue reform, designed to tap an increasing share of the earnings of Egyptian workers abroad, part of which is used to finance under a shadowy system a wide variety of mainly consumer and luxury imports.

Within the new philosophy, however, and if figures are to be believed, the Government's capacity to pay both the wage rises and the increase in subsidies has been questioned. On May 1 President Sadat announced that the minimum wage was to be raised and in the budget this amounts overall against 1980 figures to an increase of 13.3 per cent, costing E£1.52bn ($2.17bn).

Dr. Abdel-Meguid continues to throw out ideas. Some are recognised as good, such as the raising of interest rates. He is also considering forming an export-import bank. The concept of a national investment bank with a capital of E£3.2bn is impeccable. As he explains, it would provide better project analysis and a more constant flow of funds which would not be bounded by individual fiscal years.

Undoubtedly, too, his continuing attempts to narrow the differences in the exchange rates for the Egyptian £ between the official parallel and open market rates have been welcomed. This has been helped by twice raising interest rates in April and June, each by 1 per cent, so that in April the Central Bank discount rate was 10 per cent, and minimum lending rate 11 per cent with a 13 per cent maximum and extra 1 per cent chargeable on overdue loans.

Too soon

These moves can only be of benefit, since the problem is not one of soaking up dollars but an excess of Egyptian £'s on the market. It is clearly too soon to tell what will be the outcome of these measures, for there is inevitably a time lag between policies and budgets being initiated and their effects being felt. But it is clear from the reaction of the IMF team that there is international scepticism.

Egypt now has a development plan for the years 1980-81 to 1984-85. Under the terms of its compilation (based on the original 1980-84 plan) it showed considerable changes from its now superseded predecessor for the years 1978-1982. It envisages investment of E£20bn ($28.5bn) with an annual growth rate of 10 per cent.

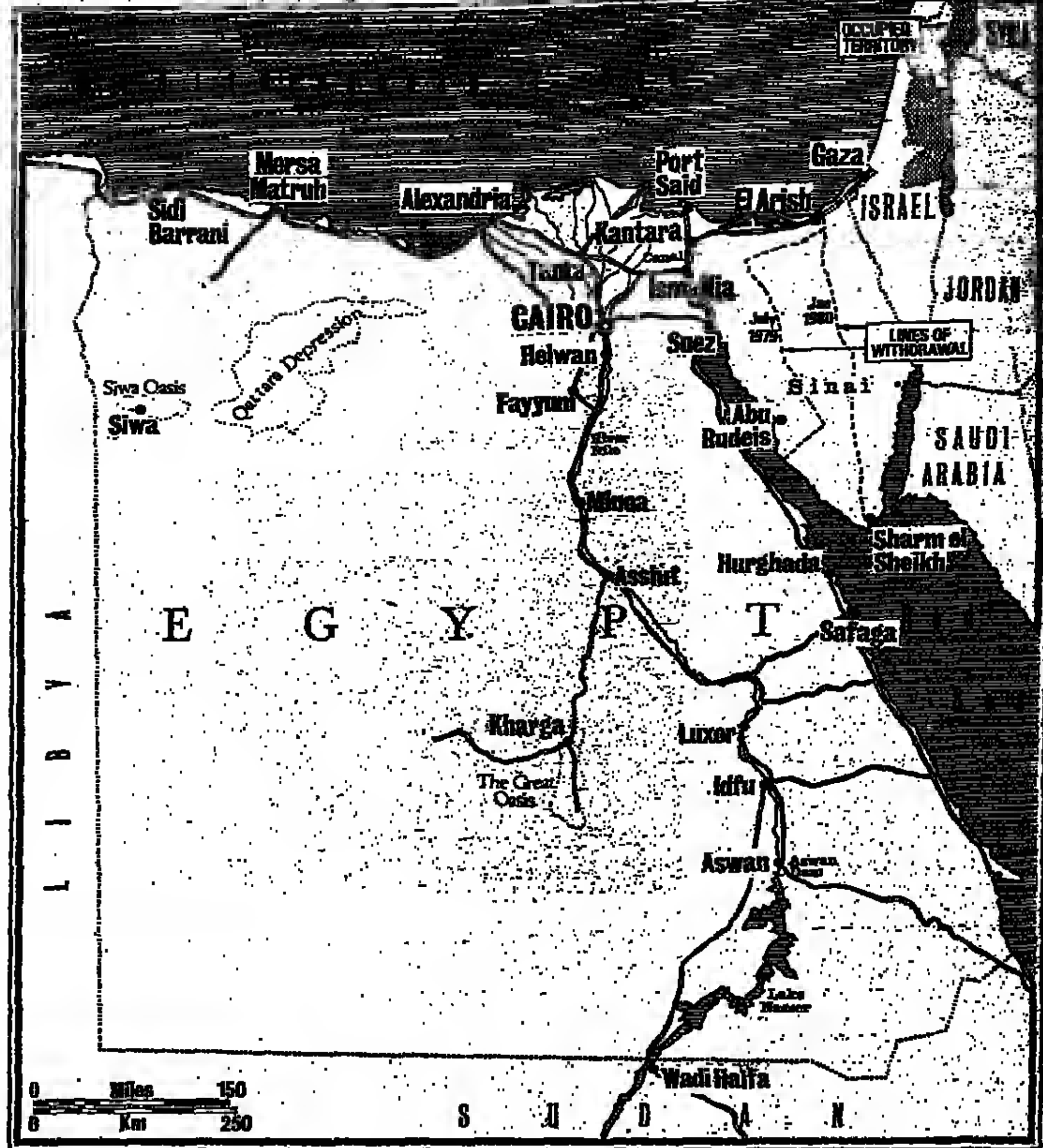
During this period, although the contribution of agriculture is expected to decline from 25.4 per cent in 1979 to 18.3 per cent in 1984—and be overtaken by oil and its products, which wil rise some 16.5 to 18.4 per cent—there is to be greater concentration than before on agriculture.

Investment allocations in the two plans rise from 8.6 per cent to 11.5 per cent. It is also significant that the allocation to housing has been increased from 11.9 per cent to 13.5 per cent.

But as always with Egypt's economy there are innumerable short-term and long-term imponderables. What is clear is that Dr. Abdel-Meguid, under President Sadat's instructions, has shaken the system up. At this stage, many of the decisions bear the characteristic hallmark of an announcement being taken as the equivalent of an established fact or fully working programme. One must not decry many of the ideas and solutions, but concern remains that much of what is being done—and Dr. Abdel-Meguid says "this time we really mean business"—is without real thought about financing and long-term effects.

It might appear that they are being carried out mainly to ease Egypt and the Egyptians through a difficult period internationally and at home. For Dr. Abdel-Meguid sees his job as ensuring that his country remains "an island of stability."

Anthony McDermott



BASIC STATISTICS

Area:	997,667 sq km	
Population:	39.64m	1978
GNP:	£E11,802m	1978
GNP per capita:	£E298	1978
Trade (1978)		
Exports:	US$1,984m	
Imports:	US$4,826m	
Trade with UK (1979)		
Exports:	£252.73m	
Imports:	£264.49m	
Currency: £=1.72 Egyptian £s		

GDP GROWTH TARGETS UNDER THE PLAN

	Real GDP (In £Em at constant 1979 prices) 1980	1984	Average annual growth rate (in per cent) 1980-84	Sectoral structure (in per cent) 1980	1984
Agriculture	2,670	3,023	3.2	23.7	18.3
Industry and mining	1,590	2,395	10.8	14.1	14.5
Petroleum	1,874	3,030	12.8	16.7	18.4
Power	110	163	10.3	1.0	1.0
Construction	540	840	11.7	4.8	5.1
Transportation and communication	475	740	11.7	4.2	4.5
Suez Canal	502	931	16.7	4.5	5.7
Trade and finance	1,170	1,773	11.0	10.4	10.8
Housing and utilities	206	330	12.5	1.8	2.0
Other services	2,130	3,250	11.3	18.8	19.7
GDP at factor cost	11,257	16,475	100.0	100.0	100.0

Source: Ministry of Planning.

Sadat tightens political grip in face of criticism

THE LAST time Mr. Anwar Sadat took over the position of Prime Minister in addition to being President was in the run-up to the 1973 war with Israel.

In May, after the Government of Dr. Mustafa Khalil had resigned, he became Prime Minister again. This is not a sign that war is round the corner. Rather it indicates that his major foreign policy achievement, the Camp David accords, the peace treaty with Israel and subsequent talks on Palestinian autonomy, is running into stagnation.

There are also complaints at home about inflation, the poor state of social services in urban areas and housing shortages. Mr. Sadat has reacted according to his sensitive political instincts. Broadly, he has tightened up political controls, but within a constitutional framework of his own making.

Mr. Sadat's critics argue that while the extensive Cabinet changes might well have been necessary his other actions and decisions this year have not been necessary. For example, his own National Democratic Party holds over 300 of the 382 contested seats in the People's Assembly, easily enough to obtain approval for any legislation he requires.

At the same time the Assembly has not always been as tame in its debates as he might have hoped when a form of multi-party system was introduced. In addition, the sole and fairly loyal opposition, the Socialist Labour Party, led by Mr. Ibrahim Shukri, a former Minister of Land Reclamation, has only about 30 seats, and has become a focus for criticism of Mr. Sadat's major policies.

Furthermore, notably absent from representation are the fundamentalist Moslem Brethren and the former nationalist Wafd party, which has excluded itself from politics in protest against the system since June, 1978.

Thus, in theory, the overt political and legislative forces should be manageable enough in their present structure.

Barry Iverson

Above: The Unionist Progressive Party's steering committee in session. Below: Mr Ibrahim Shukri, the Socialist Labour Party leader

Sectarian strife

Additional signs that all has not been well in Egypt have come from the re-emergence of sectarian strife between Copts and Moslems, with cases of churches bombed, people attacked, and anti-Coptic riots in Asyut and Minya. It culminated in the Coptic church refusing to celebrate Easter publicly and in the withdrawal of Pope Shenouda III to a monastery 60 miles from Cairo in the Western Desert.

The last time there were clashes on this scale was in 1972 and 1973, when as the Egyptian economy began to decline again and movement towards peace between the Arabs and Israel seemed to have reached an impasse, the country appeared to be drifting helplessly between no war and no peace.

The Copts may well have miscalculated in trying to stimulate opposition in Washington during Mr. Sadat's visit there last April, and in reply he has gone out of his way to meet them head-on. A major part of his speech on May 14 was devoted to attacking the Copts, almost accusing them of being a fifth column and emphasising that he was "a Moslem President of a Moslem country."

Unlike 1972-73, there is peace; but it has served to concentrate attention on domestic problems—of which sectarian strains are a symptom.

The semi-organised Opposition is articulate and vocal, coalescing to some extent around the National Unionist Progressive party, led by Mr. Khaled Mohieddin a former "free officer" with Nasser. This party lost both its seats in the elections of June 1979; probably due in part to ballot-rigging.

An indication of the make-up of this opposition can be judged from a series of critical petitions released, the first deliberately on February 26, the day of "normalisation" of relations with Israel, and signed by 40 people. The second, on June 16, was entitled "What after May 26?" (the date on which the Egypt-Israel talks on Palestinian autonomy should have ended). It was signed by 70 people.

They included two former vice-presidents and "free officers" two former Prime Ministers, three former Ministers, two trade unionists and two doctors, 11 professors, three present and 14 former members of the People's Assembly, nine writers and journalists, and 19 lawyers.

In broad terms they objected to the way the peace process with Israel had turned out and the unconstitutional presidential restrictions imposed on citizens. But this kind of opposition is containable because it lacks a popular following; and it appears to have been slow to grasp that the economy, *rather than foreign* policy, is now a greater threat to Mr. Sadat.

There have been the occasional whispers of unrest in the armed forces, but nothing substantial to support these rumours. Abroad, considerable publicity has been given to the formation of an opposition Egyptian National Front under General Saad El-Shazly, formerly chief of staff during the 1973 war. It claims links in Europe, the Arab world and inside Egypt, but this is not as yet taken seriously.

In fact, the most potentially dangerous threat comes from the Moslem Brethren and other Islamic groups, who are encouraged by the international resurgence of Islam and by Mr. Sadat's aversion to the Left. They have had some influence in the universities, pressing for segregated classes and time off for prayers.

The grounds on which Mr. Sadat's policies are criticised are not dissimilar to those of his pan-Arab opponents. They believe that the peace treaty with Israel, and the presence of an Israeli Embassy in Cairo, causes widespread concern. In fact, it is a matter of indifference rather than outright hatred.

The sheltering of the ailing Shah has been largely uncontroversial, and one demonstration in Asyut last March turned into an anti-Coptic riot.

Egypt's isolation in the Arab world has not had any noticeable economic effect. If anything, it has strengthened pride in being Egyptian rather than Arab, and other Arabs are continuing to visit the country.

Perhaps the very close economic and military link with the United States causes the most concern, but it cannot be described as a popular issue.

President Sadat's main task is to get through a period of international political quietude, caused, where it affects the Middle East, by the American Presidential elections and the lame-duck Israeli Government of Mr. Menahem Begin.

Firm decisions

By taking a series of firm decisions, Mr. Sadat is trying to prevent the public drawing the conclusion that because inflation is high and some of the inequalities caused by the open-door policy blatant, his Government is both incompetent and uncaring at home and, by *inference*, abroad as well.

It is when these two elements are *brought together* that an Egyptian Government can be said to be in serious trouble—and this has not yet occurred.

Since 1976, Mr. Sadat has held on average one referendum a year. This year is no exception. On May 22, the Egyptian people, with the usual overwhelming assent—this time by 98.96 per cent—approved a package which included the following items:

Abolition of the constitutional restriction on a President serving more than two terms, effectively making Mr. Sadat President for life unless he declines to stand again in 1982;

Creation of a 210-member *Maglis El-Shoura* or Consultative Council;

Adoption of the *Sharia*, or Holy Law;

Dissolution of the Arab Socialist Union, Nasser's single party.

Through this referendum, Mr. Sadat has moved with a familiar mixture of persuasion and coercion. Matching his concession to the Moslem brethren (parliamentary committees have been set up to study the application of the *Sharia*, or Holy Law) he announced on May 24 that martial law which had been almost continually in force since 1918, had been lifted, though it was later reimposed in the area of the frontier with Libya.

In many ways the adoption of the *Sharia* is the most serious element of coercion, in that it has clearly unsettled the Copts and also risks destroying the subtle balance, always apparent in modern Egypt, between respect for Islamic piety and a cosmopolitan secularism, both enshrined in laws based mainly on the Napoleonic code.

The Shoura undoubtedly strengthens the Presidency. One-third of its 210 members are appointed, and the rest elected. But it is bound to reinforce the pattern of the People's Assembly with NDP dominance because any party failing to obtain 5 per cent at a national rather than constituency level will be excluded.

The Shoura itself will not have legislative powers, but through debate it will be able to offset the more troublesome element in the People's Assembly and endorse presidential decrees. It will also, in many sense, inherit the role of the ASU as a political "holding company." It thus becomes, under a new Press law approved this month by the People's Assembly, the effective owner of the Fourth Estate.

Most controversial was the passing of the "Law of Shame." This action reflects the dilemma of a ruler who has a genuine liberal streak but also has difficulty in both permitting and controlling dissent and uninhibited debate.

Very vague

Ostensibly the "Law of Shame" was tabled to protect the values, traditions and ethics of Egyptian society. But its definition and terms of reference are extremely vague. Nowhere is guidance given as to the meaning of violations of "National unity" (usually a reference to the Moslem Brethren or Copts), or of "social stability" (again usually a reference to Communists), or of "shameful conduct."

The penalties for these sins include the deprivation for five years of political rights, public office, work, and permission to leave the country. Internal exile and the sequestration of personal funds are also threatened.

In fact, the terms are so imprecise that this law, which has not yet been used, could be employed to arraign anybody who appears to offend the Government.

It also strengthens the hand of the Socialist Prosecutor at the expense of the judicial system, which has been showing some independence from the Government line in dismissing many arrests on trumped-up charges.

The Cabinet reshuffle strengthened the positions of two people in particular—one within the Cabinet and one without. Vice President Husni Mubarak has now become a crucial figure.

As well as being the only identifiable successor to Mr. Sadat, he has key supporters in the Cabinet in Mr. Hassan Kamal Ali, former Defence Minister and now Foreign Minister, and Lt. General *Ahmad Badawi*, Defence Minister, whose appointment was well received by the armed forces.

Mr. Mubarak effectively acts as Prime Minister in running the Cabinet when Mr. Sadat cannot attend and is also Secretary General of the NDP. Through his role as Commander of the *Air Force in the 1973 war* he has his own connections with the armed forces.

The second is Dr. Abdel-Razaq Abdel-Meguid, one of six Deputy Prime Ministers, who is in charge of the economy as a whole and without lower-ranking Ministers, in direct control of particular economic and *financial sectors.*

Since his appointment he has made a wide range of announcements aimed at reshaping some of the fundamental parts of the economy, helping the poor, and penalising some of the excesses of the "open door" policy.

So far, his bold approach in virtually announcing a New *Economic Policy has caused* more criticism than approval and his style has earned for him the description of "the Sadat of the economy."

Even so, the role of Dr. Abdel Razaq Abdel Meguid will be crucial—at least for the rest of this year. Then the U.S. will again be able to turn its *attention to the Middle East.*

It remains an irony that President Sadat decided to turn 95 per cent of his attention to his country's domestic affairs and took measures to ensure that he has monopoly control of them only when his foreign policy seemed to be faltering.

Anthony McDermott

Few foreign policy options now left for Sadat

EGYPT HAS very little left in the way of immediale foreign policy options as a result of the peace treaty with Israel. The two main effects of the treaty so far have been to tie Egypt ever more closely to the United States while at the same time rendering the Government powerless to pursue ooe of its main regional aims—that of stopping the encroachment of Soviet influence.

President Sadat's frustration was again brought home by the Soviet invasion of Afghanistan. Instead of Egypt being able lo act as a rallying point for Moslem aoger it was excluded from the meeting of Islamic Foreign Ministers because of its association with Israel.

Similarly as a continuing member of both the Organisation of African Unity and the Noo-Aligned Movement, Egypt is forced to endure both regular sniping from more radical countries and a seriously reduced role.

Although Foreign Ministry officials can fairly argue that the obduracy of Israel in refusing to offer even the most minimal hope to the Palestinians has exacerbated this trend, it bas also to be remembered that President Sadat's own statements and actions have provided a major contribution.

Harsh words

The unbridled attacks on the Royal Family in Saudi Arabia, the harsh words for the other Gulf States and the needless attacks on King Hussein of Jordan may all be amusing theatre for a domestic audience, but they scarcely square with President Sadat's declared intention of bringing the Arab world together to face the external threat.

Ironically, it is Mr. Begin, Israel's Prime Minister, who might eventually prove more successful. His refusal to hudget on Palestinian autonomy, has led directly to a more conciliatory tone towards the rest of the Arab world from Mr. Sadat and although it is much too premature to talk of any sort of reconciliation, some of the initial groundwork is being done.

Mr. Sadat declared earlier this month that if he wanted to meet with Saudi leaders, nothing prevented him from doing so. The Egyptian leader insisted that the Saudis agreed with him on the peace-making process. "One hundred per cent they agree, but their fear of the Syrians and the Palestinians drove them in the opposite direction."

There might be more than an element of truth in this, but more importantly it indicates not a change in Saudi attitudes to Camp David but rather another indication that Mr. Sadat is beginning to cast around for options.

At worst, Mr. Sadat could later this year halt the development of relations with Israel, ask the Israeli Ambassador to leave Cairo, accept that he had only recovered two thirds of Sinai and return to the Arab fold, or at least to that moderate part of it which would accept him. Such a development is most likely but as one of Mr. Sadat's former aides likes repeating: "He never ever enters a room without first being sure that he knows where the exit is."

For this reason also Mr. Sadat has been far more polite about the so-called European initiative than either President Carter or Mr. Begin. While the Egyptians do not realistically believe that anything much can be expected from the nine Common Market members in the face of American hostility, they do appreciate the Venice Summit statement as perhaps providing a new or enlarged option should the Camp David process break down entirely.

In the short term however everything rests on the American connection. It is a measure of Egypt's dependence on the U.S. that Mr. Sadat has even tried to demonstrate to President Carter how policy in the region should be conducted.

When Mr. Carter vacillated over what to do about the deposed Shah of Iran, Mr. Sadat provided him with a red carpet welcome, a home and a pledge that he would never have to leave Egypt.

When Mr. Carter made his military effort to free the hostages in Iran, it was Mr. Sadat who provided the military facilities for part of the attempt and who was first to commiserate with the White House and suggest another attempt when the mission ended in disaster.

In all but name the U.S. now has a military base in Egypt. It currently has a squadron of 12 Phantom fighter-bombers training with the Egyptian Air Force and will regularly be using Qena, near Luxor, as an operations centre for long-range AWACS radar and communications aircraft. Should the U.S. ever decide to intervene militarily in the Middle East, much of that operation will be staged through Egypt.

At the same time the Egyptian armed forces are being substantially re-equipped with American hardware including sophisticated fighter aircraft.


Kamal Hassan Ali, Egyptian Foreign Minister

Mr. Sadat and his main foreign policy advisers will be looking to see over the next 12 months whether the U.S. is really only offering them half a cake or is genuinely interested in an overall Middle East settlement. In other words, whether the U.S. intention is to maintain a divided Arab world.

Mr. Sadat appears convinced of President Carter's sincerity but he cannot be re-assured by Ronald Reagan's view that Egypt is only a fair-weather friend and that ultimately the U.S. will have to rely on Israel for Middle East stability.

Tougher sanctions

A more serious possibility that Mr. Sadat may have to face is that whatever the intentions of a re-elected Mr. Carter, it may be impossible to shake Israel's determination to keep control of the West Bank and Gaza. The more moderate members of the Arab camp, in particular Saudi Arabia and Jordan, will even before then be looking at ways to bring Egypt back into the fold.

The next Arab summit meeting to be held in Amman in November will be discussing among other things tougher sanctions against Egypt and although the radicals are again likely to be frustrated, their position would be strengthened during 1981 if the political conditions on the West Bank and Gaza deteriorate further.

Egypt's position would also be made more difficult if President Sadat decided that for whatever reason he wanted to teach Libya's Colonel Gaddaffy a lesson.

The U.S. is understood to have urged restraint on Mr. Sadat because although no-one much, even in the Arab world, would weep for the Libyan colonel, the propaganda victory for the Soviet Union and its more radical friends might prove embarrassing. Even so, few people discount the possibility of another flare-up on the western border.

On Egypt's southern flank, relations with Sudan are also troubled but to a lesser extent. Sudan has still not formally broken relations, but has effectively frozen them and there is no longer talk of increased co-operation between the two countries, that might eventually lead to something approaching union.

Even Oman, one of the three countries that has stood by Egypt in the face of the Arab boycott, is believed to be wavering and would be pleased to see a softer Egyptian line towards the Arab world.

The vexed question of Egypt's relations with the Soviet Union which is still considered in some official circles to have a role in any comprehensive Middle East settlement, remains ambiguous. Mr. Sadat is clearly and devotedly anti-Soviet and believes that all his prediction about Moscow's attempts to subvert the Gulf and seize its oilfields will be proved right unless the West takes firm action. Yet Egypt's harsh anti-Soviet words are not always matched by its actions.

When the Soviet Union moved militarily into Afghanistan, Mr. Sadat announced that in retaliation the Soviet diplomatic presence in Cairo would be reduced to the size of the Egyptian presence in Moscow.

When Mr. Sadat went to Jerusalem it is unlikely that he thought he was closing options, but rather that he was opening them. As the reverse has occurred he pragmatically made the best use of the new situation as seen by the massive flow of U.S. aid to Egypt. But at the same time Mr. Sadat must be thinking about how best to gain once more some freedom for manoeuvre.

The best and most satisfactory way would, of course, be for substantial progress to be made in the Palestinian autonomy negotiations. But if ever that option is seen by Mr. Sadat to have been eliminated, then another grand initiative should be anticipated.

Roger Matthews

Industry must fight stiffer competition from abroad

THE INDUSTRIAL sector has, over the past two decades, been the sick man of the Egyptian economy—a combination of the nationalisation programmes of the early 1960s, the reorganisation of the sector into sectoral organisations which killed product competition, and a full employment policy which led industrial companies to be grossly overmanned.

Add to this the gradual breakdown in financial control, especially after the 1967 Six-Day War when the Government forced public sector companies to fall back on bank borrowing to finance pegged prices, and the problems facing Egypt's economic planners come into focus.

More problematic than the worn out plant and the poor plant utilisation rates—below 80 per cent in the late 1960s and early 1970s—was the low calibre of management and lack of motivation of the workforce. Under Nasser, public sector industry was run by dogged engineers and army officers with no entrepreneurial flair for the open market. As Egypt sided more and more with the Eastern Bloc, those markets dwindled so that by 1973 the major part of Egypt's trade was barter. A part of it still is.

After the October 1973 war there was a marked improvement in productivity, but this was largely by bringing back into production underused plant. Since 1978, public sector industrial production has remained virtually static in real terms or has even slipped back, reflecting the struggle public sector companies are having to cope with the challenge of "Infitah" — the Open Door policy.

The problem is twofold. The economic and political elements in pricing policy have to be untangled; if there is to be subsidisation it has to be clearly defined who bears the cost and it should not interfere with the economics of the operation. Secondly, public sector company boards should be allowed to run their own show — that means allowing them a savings margin to plan future investment.

The Government has still not yet been able to resolve the problem of pricing policy, indeed in the May Economic Changes, public sector companies were asked to lower their retail prices while having to contend with stiffer foreign competition helped by lower tariff barriers.

Nor has the Government had much success yet in making public sector companies financially independent although the new Deputy Premier for Financial and Economic Affairs, Dr. Abdel-Razzaq Abdel-Meguid, has said this is a major priority.

He has even gone so far as to suggest that heavy industry projects like the Helwan Iron and Steel Works should be made into holding companies, owned by the state but contracted out to private management. He has ordered a comprehensive review of public sector company assets and performance with a view to selling shares to the public.

Lame ducks

But invariably such policies are determined by the lowest common denominator, the companies operating at a loss either through their own inefficiency, the Government's pricing policy, or the credit squeeze on bank lending to the public sector.

The Government has said resolutely it will let the lame ducks fend for themselves, but has always baulked at the prospect of throwing people out of work. Consequently no public sector company has been allowed to go to the wall.

The dilemma between productivity and jobs remains. In 1979 the public sector companies were relieved of their obligation to take in university graduates but, under official pressure, have continued to do so.

Apart from the public sector/private sector controversy, there is also a light/heavy industry debate which to some extent events are determining. Nasser, in his drive to make Egypt self-sufficient, concentrated on heavy industry, and in so doing spread the country's resources too thinly. A number of traditional industries such as cement were destroyed and are having to be built up again at great economic cost. Many artisan skills were lost and the textile industry was badly run down.

Although the tendency is now towards light industry, because that is where the private investment is going, the Government is shoring up heavy industry.

The Soviet-built Helwan Iron and Steel Works, a massive complex costing E£570m is technically sound but extremely inefficient. Despite subsidies it is still cheaper to import steel so the plant has only operated at 50-60 per cent capacity.

This has still not stopped the authorities negotiating with Japan to build a $750m sponge iron plant at Dikheila on the north coast near Alexandria. The Egyptian Government is baulking at guaranteeing fixed gas prices which the Japanese want for their part of the 700,000 ton per year production.

In contrast, the Soviet-built Nagaa Hammadi aluminium smelter has been extremely profitable—thanks largely to cheap High Dam electricity, earning not only hard currency exports but feeding a profitable private sector aluminium extrusion industry. The E£100m plant is being enlarged.

Around $200m is being put into rehabilitating Egypt's principal public sector textile mills. A USAID sponsored programme for Mehale al Kubra, the largest mill, is nearing completion. The Government drastically pared down a $1bn project to build a private sector textile complex at Al-Amriya, near Alexandria, fearing ruinous competition for the public sector. Only a polyester plant of that scheme is now certain. However, smaller scale private mills are being encouraged and so are clothing joint ventures, to produce as much "downstream" industry from Egypt's unrivalled long staple cotton as possible.

Another traditionally strong industry is food processing, accounting for 33 per cent of public sector production. Public sector food companies, as they are in many other sectors, are being encouraged to go into joint ventures with foreign partners to make them more efficient and bring in new technology.

Attempts to develop Egypt's car industry have been slow to get off the ground. Seat has changed a licence agreement with local Nasr automotive company (Nasco) into a joint venture operation and is stepping up production to 34,000 cars a year. Much vaunted projects like the reopening of the Ford truck assembly plant in Alexandria, closed since the June 1967 War, have so far come to nothing and plans for a brand new diesel engine plant have been scrapped because of the Arab boycott.

General Motors and Iveco, the multinational truckmaker controlled by Fiat, plan to assemble lorries. Klockner Humboldt, Deutz wants to build tractors while Volkswagen has plans to assemble eventually 10,000 cars a year in Egypt. Nasco is close to clinching a number of joint ventures with car accessory manufacturers.

Egypt has a strong pharmaceutical industry. Drug groups such as Hoechst, Swissfarma and Pfizer, were, virtually the only foreign companies allowed to operate in Egypt through the 60s. Egypt is interested in developing pharmaceutical joint ventures—but only with a high local manufacture input or more sophisticated processes.

Lack of skills

Central to Egypt's economic development is the construction industry. Construction standards still leave a lot to be desired, but this can partly be put down to the intense pressure of work and the lack of skilled and semi-skilled manpower—estimated to be 500,000 below strength. Standards should improve as the local companies invest in new plant. To speed the process the building materials sector has been handed over lock stock and barrel to the private sector with special emphasis being given to cement plant and sandbrick factories.

Manpower vocational training is only something that has been recently recognised. Although Egypt has been turning out theoretical engineers in their thousands, there were few plumbers and electricians and mechanics and these tended to head for the Gulf. ILO and World Bank sponsored programmes have been started but it is an area that will require even more attention in the future.

Alan Mackie

Future of Israeli peace talks clouded by realism

A NEW mood of realism has descended on relations between Egypt and Israel. It was best summed up in a television interview given by President Sadat earlier this month when he discussed the attitude of Israel's Premier Menahen Begin towards the Camp David peace process.

"I have told him repeatedly not to try and stop half way," he said. "Let us try to complete our mission. But it seems he cannot continue any further. This is my feeling."

This sombre assessment by Mr. Sadat is in sharp contrast to his unquenchable optimism that characterised each of the setbacks on the road towards the peace treaty. Even when the first nine months of negotiations on Palestinian autonomy passed without any sign of progress, Mr. Sadat refused to believe that eventually Mr. Begin would not start to make concessions.

In the month before the expiry of the May 26 target date for agreement on autonomy for the 1.1m Palestinians living on the occupied West Bank and Gaza, Mr. Sadat stepped up his warnings, threatening that "a new situation" would arise and hinting that Egypt might be forced to reassess its whole position.

No fireworks

May 26 passed without any fireworks from Mr. Sadat and he has even agreed to resume the negotiations which were suspended by Egypt following the introduction of a Bill into the Israeli Knesset that would place one further legal obstacle to the eventual reassertion of Arab sovereignty over East Jerusalem.

The resumption of negotiations has little to do with Palestinian autonomy. It is of greater significance in the context of the American presidential elections and the Egyptian domestic political scene. Mr. Sadat wants to see President Carter re-elected and does not want to admit domestically or in the Arab world that his drive towards a comprehensive Middle East settlement has finally run into the ground.

The Egyptian tactics are therefore to keep the autonomy talks moving until at least November in the hope that a re-elected Jimmy Carter will in his second term feel less constrained by the Jewish lobby. At the same time, President Sadat is looking for the collapse of Mr. Begin's coalition in Israel and its replacement by a more pragmatic Labour alignment. Should, from the Egyptian point of view, these two events happily occur almost simultaneously, the more optimistic members of the Foreign Ministry in Cairo believe that 1981 could start with a new attitude towards Palestinian autonomy and the prospect of real progress.

Meanwhile however, the development of bilateral relations with Israel is being put effectively on ice. Throughout the first year of Palestinian autonomy talks, senior Egyptian officials let it be known that without progress in that area little could be expected in extending normal relations between the two countries.

The legal requirements of the Camp David accords have been scrupulously followed. Ambassadors have been exchanged, embassies opened in Tel Aviv and Cairo, borders opened, and six agreements signed covering civil aviation, transportation, commerce, cultural exchanges, agriculture and tourism.

The effect of these agreements has been much less than Israel would have wished. The only agreement to be working well is the one covering civil aviation with El Al flying twice a week to Cairo (soon to be three times) and Nefertiti Aviation, a charter aircraft leased by Egyptair, operating to Tel Aviv. Both operators report satisfactory load factors and at the beginning of this month some 6,000 Israeli tourists were estimated to have visited Egypt.

Only three Israeli-registered vehicles have crossed the border at El Arish and only about 250 Egyptians have travelled to Israel.

Israeli hopes for taking advantage of the large Egyptian market have also produced little so far. The only direct commercial transaction is the 2m tonnes of crude oil that Egypt has agreed to supply Israel each year at prices variously described as those pertaining on the Rotterdam spot market or those "being charged by OPEC." However there does seem to be an element of barter in the oil deal as Egypt is receiving weekly from Israel around 200,000 young chicks to develop its meat production programme.

This apart, the only other commercial transactions are being carried out through third parties either in Europe or the United States. These deals, which are necessarily very difficult to identify, are understood to cover dairy products, meat and some electrical equipment.

But it is all much less than Israel had expected, in large part because the Government of Mr. Begin mistakenly believed that there would be little if any "linkage" between its actions on the West Bank and Gaza and the normalisation of relations with Egypt.

For members of the Israeli Embassy in Cairo, in contrast to their Egyptian counterparts in Tel Aviv, this reality is all too evident. With the exception of Ambassador Eliahu Ben-Elissar, who, because of his hardline political views, is anathema to most Egyptian officials, all the embassy staff have found somewhere to live apart from hotels. They are able to make some contacts with Egyptians, but little if anything is done officially to aid the process.

The Egyptian Press, with the exception of October Magazine, ignores their presence. Indeed, the most striking evidence for the average Egyptian of an Israeli presence in Cairo is that the synagogue in the centre of the city has been re-painted for the first time in 30 years.

Nothing appears likely to change this state of affairs in the short-term. Despite Mr. Sadat's irritation at President Carter's vacillation and perceived weaknesses on Middle East policy, he is seen in Cairo as the best man to push the peace process forward. Equally, Mr. Sadat is committed to achieving his place in history by returning to Egyptian sovereignty all of occupied Sinai, a process that is not due to be completed until 1982.

Some Egyptians believe that the present line of Israeli withdrawal stretching from El Arish in the north to Ras Mohammed in the south, might eventually have to become the end result of the peace initiative because of the pressure that will build up on President Sadat to change tack in the next few months. There is little evidence to support this view, however, and even the sceptics within the Foreign Ministry discount it.

It also runs contrary to another important element in President Sadat's strategy—that is the effect that his peace offers are having on Israeli public opinion. Senior Egyptian officials believe rightly or wrongly that the monolithic structure of Israeli society based on the combined hostility of the Arab world is under strain. They see Israelis as having for the first time to ask hard questions about the future viability of their State if it spurns the opportunity offered by Mr. Sadat.

The President takes particular heart from the activities of the "Peace Now" movement in Israel and what he discerns as important signs of flexibility among the leaders of the Labour oppositions. It is also argued in Cairo that the hornets' nest Mr. Begin has stirred up on the West Bank with his settlements policy can but raise questions about whether Israel can be considered a democracy when it so patently denies the most basic human rights for over 1m people.

All these reasons provide hope for the Egyptian administration that out of the present gloom will emerge fresh hope. They may have run the full course with Mr. Begin, but they believe that time and Western self-interest is on their side.

For Israel after Mr. Begin, presuming his Government collapses before the November 1981 election or is in anyway thrown out of office at that time, the options still seem much more clouded.

If nationally the country cannot ever accept that a Palestinian self-rule Government on the West Bank and Gaza will emerge, then almost inevitably its relations with Egypt will deteriorate still further.

If it does accept the Palestinian presence, then some Israeli diplomats fear that this still would not guarantee warmer relations with Egypt.

Those who have been regularly re-reading President Sadat's speech to the Knesset in November 1977 suddenly have begun to suspect that all he really meant was "no more war" and did not intend to go beyond that.

Such is the measure of the impact Mr. Sadat has made on Israeli society.

Roger Matthews

Canal is foremost hard currency earner

THE SUEZ CANAL is one of Egypt's most important success stories and its contribution to the well-being of the economy has rarely been more trumpeted than it is today.

During the fiscal year starting in July 1981, its earnings are officially forecast to top $1bn and it is suggested that this might even happen earlier as a result of the new pricing structure currently under discussion by the Suez Canal Authority.

Dr. Abdel Razzaq Abdel Meguid, the Deputy Prime Minister in charge of the economy, regularly cites Suez Canal earnings, along with oil revenues, as the reason for his purported ability to turn in a budget surplus during the current fiscal year. Additionally, given the perhaps transitory nature of oil's contribution to the economy, the Suez Canal is the single most assured hard currency earner the country has.

The importance of the canal is fortunately reflected both in the quality of its management and in the willingness of the Central Government to provide necessary development financing. Since its reopening in 1975, following an eight-year closure due to the 1967 and 1973 Arab-Israeli wars, the Suez Canal Authority has devoted all its efforts first to re-establishing international confidence in the waterway and second to responding to the changes that had taken place in the patterns of world trade during that period.

The initial part of that response will be more visible by the end of this year when the $1.2bn expansion programme is completed.

The chairman of the Suez Canal Authority, Mr. Mashhour Ahmed Mashhour, who also carries the rank of Deputy Prime Minister, is determined to win back and expand the proportion of oil tankers which used to use the waterway. In 1966, for example, the oil trade accounted for some 180m tonnes of shipping using the canal as against 70m tonnes in non-oil cargoes. Last year the situation was almost exactly reversed with non-oil cargoes amounting to 200m tonnes against an oil trade of 80m tonnes.

Closure

The reasons, of course, stem from the eight-year closure of the canal. Shippers and shipbuilders had to revert to the Cape route and with that came the evolution of the supertankers, a new breed of vessels with which the Suez Canal was unable to cope.

Until later this year the largest vessel able to use the canal fully loaded will remain limited to 60,000 dwt, but during the first six months of 1981 that capacity will be gradually increased to vessels of 150,000 dwt fully loaded, ships of 200,000 dwt partially loaded and tankers of up to 370,000 dwt in ballast.

This has been made possible by the international development programme that has increased the draught of the canal from 38 ft to 53 ft and has virtually doubled the west cross-section to 3,600 square metres.

Approximately 55 per cent of the financing has come in the form of concessionary loans from abroad and the remaining 45 per cent in local currency. This is reflected in the division of labour with Japanese, Dutch, French and Italian companies carrying out much of the dredging work while Egyptian companies undertook most of the dry-earth moving.

At times during the past four years more than 50 dredgers have been working simultaneously on the canal, providing work for over 2,000 men. Apart from the widening and deepening work, involving also the smoothing of some curves in the waterway, there will shortly be three by-passes in operation that will allow an increase in the daily number of vessels using the canal from an average of 60-65 to closer to 90.

This increase in the potential traffic load has prompted the Suez Canal Authority to introduce a new management system that is now being installed. In future, the position of each ship will be individually monitored through a complex system of radars, radios and nine mini-computers, enabling the control centre in Ismalia to be immediately aware of any difficulties. At the moment the authority relies on visual check-points 10 kilometres apart along the canal.

The $25m cost of this installation is being financed substantially through the United States commodity aid programme because, in the words of one senior official in Ismalia, "it was the only way we could get the money through quickly without getting bogged down in American bureaucracy and feasibility studies."

Apart from the increased capacity of the canal and the potential benefits that this offers to world trade, the most important question to be answered in the coming few months is the level at which transit dues are to be fixed.

Since the re-opening of the canal, the Authority has left the dues virtually unchanged in an effort to win back trade. Now however it is seeking to optimise the earning capacity of the waterway while at the same time retaining all its present customers.

Mr. Mashhour Ahmed Mashhour admits that the task is extremely complex and sensitive. He has already consulted the International Chamber of Shipping to warn canal users of increased charges and, with his officials, is now studying factors such as port of origin, destination, savings made by using the canal and types of cargo, in an effort to ensure that those who derive greatest cost benefits should bear a rather larger proportion of the increased charges.

Pegged charges

Although Suez Canal officials say they have been "very generous" in pegging charges for the past five years, they are equally aware of the dangers in pitching the increase at levels that might prevent the expanded capacity of the waterway being fully used. As Mr. Mashhour Ahmed Mashhour puts it: "For the past five years we have been interested in tonnage rather than money. Now we are interested in both tonnage and money."

The other pre-occupation of the Suez Canal Authority is the timing of the next stage of the development plan which would allow the waterway to take all but the very largest tankers afloat. The first stage development due to be completed this year included the necessary dry-earth moving and officials must now decide when to undertake the dredging work.

With an international dredging fleet already on station, there is an understandable temptation to move on immediately to the next phase, always presuming that sufficient soft loans were available.

The next option would be to wait for three to four years, when the need for greater capacity became more evident, or thirdly, to continue work at a slower pace just using the dredgers owned by the canal authority.

There is no firm indication yet which course the authority will adopt, but it is generally believed in Ismailia that, first, the expansion plan is imperative and second that it should be completed by 1985 or 1986.

There is equal confidence that barring another Middle East war, which appears to have been ruled out by the peace treaty with Israel, the Suez Canal can surmount any other threats posed to it. The impact, for example, of the Arab boycott of Egypt has not been felt in Ismalia.

Officials there claim that there has not been any decrease in the average number of Arab-registered vessels using the canal. And Mr. Mashhour Ahmed Mashhour is just as sure that even if the Arab states decided to blacklist the canal, "one way or another we would still get their cargoes."

R.M.

Fresh approach to land reclamation

EGYPT is about to introduce a new philosophy for land reclamation, after 28 years of experience during which the State took this job upon itself. Before the 1952 Revolution it had been largely carried out by individuals.

This development, advocated by various officials over the past few years, requires legal cbanges in foreign ownership of land in Egypt and also in land ownership in general.

The mere alteration of the law is not expected to laad to foreigners pouring into Egypt to invest in this sector, where it takes several years before any results can be achieved.

A step contemplated to facilitate the process, as envisaged by Mr. Hassaballah Kafrawi, the new Minister of Housing, New Sociaties and Land Reclamation, is that the State would set up the necessary infrastructure for newly reclaimed land but have nothing to do with the reclamation itself.

The combining of the Ministries of New Societies and Land Reclamation in the last Cabinet resbuffle in May was designed to indicate how tbe State sees land reclamation in future.

In the past, this process concentrated mainly on the reclamation of the land itself. Problems of whether the land would be distributed in small plots to farmers, or wbether large-scale farms would be establisbed, were to be tackled later.

With a population increase exceeding 2.8 per cent a year, and the urgent need to create new communities outside the old narrow Nile Valley, the combination of the two Ministries would appear to maka sense.

But the possibility of entrusting land reclamation solely and completely to individuals, the private sector, co-operatives, foreign and joint venture sectors is still uncertain.

Before the 1952 Revolution, land reclamation by sucb bodies did not exceed 2,500 feddans (acres) annually. After the Revnlution, although trial and error was the rule in land reclamation, and the country ran into a succession of financial and economic difficulties and fought three wars, tbe annual average of reclaimed land was 32,570 feddans.

This was achieved even though the pace of land reclamation slowed drastically after the 1967 war and, between 1972 and 1978, not a single new feddan was reclaimed.

It has still to be seen wbether the private, co-operative and foreign sectors can match this figure. In fact they are required to exceed it, since the area which could be reclaimed until the year 2000, based on the availabla water resources, is estimated at 3m feddans or half of the existing arable area.

There are some wild estimates, however, of the area that could be reclaimed in Egypt if the necessary funds were available. One project speaks of reclaiming 6m feddans on underground waters discovered by an Egyptian oil company in the Oweinat area, where the Egyptian, Sudanese and Libyan frontiers meet in the Western Desert.

Lake Nasser water

Another was a widely publicised project two years ago for the reclaiming of 3m feddans in southern Egypt. A third was a project for a naw valley in the Western Desert, to be called Sadat Valley, covering 3m feddans. Silt-bearing water would be brougbt from Lake Nasser through a canal cut from the River Nile, ending in the Qattara Depression near the Mediterranean.

The schemes express both hope and frustration—hope that a considerable area of land could ha reclaimed and made fertile provided the available water resonrces were used properly and new irrigation systems introduced, and frustration because all studies indicate that if the present rate of population increase continues there will be about 70m Egyptians hy the end of the century.

The old Nile valley, overcrowded as it is, can accommodate only 45m. New communities of hetween 15m, if birth control campaigns sueeed, and 25m if they fail, will have to be found within only 20 years.

Creation of most of these new communities will depend on the availability of newly reclaimed land. Some will concentrate on mining, tourism, or fishing, mainly in Sinai and its Mediterranean coast.

When the project of 3m feddans in southern Egypt was 6rst mooted, there were reports of offers from European consortia. Nearly two years later nothing has happened.

But the most recent ambitious scheme was the 500,000 feddans project near Lake Manzaleb on the Mediterranean coast. There has been some confusion surrounding this project. The cost was put by the former Price Minister, Dr. Mustafa Khalil, at about $3bn.

American, Israeli and Egyptian experts spent more than four months studying aspects of the project, and Mr. Shaul Eisenberg, an Austrian-Israeli multi-millionaire entrepreneur, was said to be co-ordinating the finance.

Months after Mr. Eisenberg had presented the study of the project to Dr. Khalil and President Sadat, however, officials said they bad received from him nothing definite on the financing of the project. At the time, Israeli sources said they hoped that the Israeli Tahal company would look after irrigation and reclamation.

The appearance of the Israelis and a casual remark by President Sadat on the possibility of Nile water reaching the Negev Desert or Jerusalem has provoked a crisis with Ethiopia—a member of the River Nile Basin Group.

Egyptian officials, including Dr. Khalil, were at pains to stress Egypt's respect for its commitments as a mamber of the Basin Group and also emphasised that nothing would stop Egypt channelling Nile waters to Sinai to irrigate land there.

They reaffirmed, bowever, that the waters would not he channelled to any country outside the river basin—a elear reference to Israel.

The policy of land reclamation has undergone a rapid succession of changes in recent months, though this does not mean that the policy was stable at any previous stage.

At one stage after the 1952 Revolution the policy was to distribnte tha land to poor and landless peasants. The land was to be divided into small plots with a house for every five to 10 Feddans. Before this was put into effect the policy was changed again to keep the reclaimed land intact and establish large Government farms.

Earlier this year, tha policy was to turn tenants into landowners and speed np the distribntion of reclaimed land to agronomists and co-operatives. This policy also called for the allocation of plots for specific purposes and projects.

These included the agro-industrial sugar beet project in the Nile Delta, stock farming elsewhere, and the setting up of a number of national agricultural firms to exploit reclaimed land and distribute surplus land in small plots of between five and 25 feddans.

This year the plan provided for reclaiming 100,000 feddans, of whicb 27,000 were to ba fully reclaimed by the State. In the remaining 73,000 feddans the State was to provide irrigation, drainage, power and roads, wbile private companies, co-operatives and foreign interests were to undertake the reclamation and exploitation.

Water melon patch on reclaimed land irrigated by Nile water

State involvement in the reclamation of new land is coming under increasing criticiam from the land reclamation authorities.

The new policy following the Cabinet reshuffle in May requires that provinces he responsible for reclaiming land within their own boundaries, and that the Ministry's responsibility be confined to the unpopulated desert areas in the Sinai; the Eastern Desert to the West of the Suez Canal; the Western Deaert; and areas around Lake Nasser.

Easy-term loans

Under this policy land reclamation is to be linked to development projects and the creation of new communities. The Ministry will provide the necessary conditions, ensuring easy-term loans to the private sector, amending existing laws (in particular those governing maximum land ownership), so as to encourage the local private enterprise and foreign interests to reclaim land.

The new policy also permits reclaimed land to be sold to foreign companies, co-operatives, individuals, or joint ventures. The Ministry will not engage in the exploitation of the land in any circumstances.

By a Special Correspondent

Need to revive agriculture

EGYPT HAS re-discovered the importance of agriculture, for hundreds of years the country's main activity and main source of incoma.

Following the 1952 revolution, more stress was laid on industrialisation under the motto of producing everything "from needles to rockets." The zeal with whicb this policy was carried out affected other sectors of the economy with agriculture the principal victim.

Nevertheless, agriculture continued to occupy its leading place in spite of the sudden and even strong development of other sectors, foremost of which were industry, oil and tourism.

According to the 1975 figures, agricultural production accounted for 32 per cent of the total sectorial production and the value of agricultural output during that year amounted to E£2.52bn out of E£ 6.41bn.

Income from agriculture represented 53 per cent of sectorial income and 31 per cent of the total gross national income. It still reprasents the main occupation of the majority of the labour force in Egypt—72 per cent of those working in commodity sectors and 45 per cent of the total work force. Agricultural exports represented 49.4 per cent of the total exports in 1975.

Food imports

But the main function of agriculture remains to meet the food requirements of the population and its livestock, and here lies the most critical problem.

Until the middle of this century, Egypt was a net exporter of cereals. However, partly because of the population increase and partly because of the new stress on industry, the position changed dramatically so that today Egypt imports some 40 per cent of its food requirements. The population rose from 9.7m in 1897 to some 41m in 1979, while the share of arable land per capita dropped sharply.

If the current rate of consumption is maintained, Egypt is expected by the year 2000 to bid for one-seventh of the surplus wheat in the world market.

The problem for Egypt is not only that it is vulnerable to market price changes over which it has no control, but also that by having to pay an ever-increasing bill for its food imports it has been unable to divert more resources to agricultural development projects.

After the last Cabinet reshuffle in May, President Sadat again stressed the need to aim for self-sufficiency in food. He is on the record as belleving this sufficiency should apply to all cereals with the exception of wheat. Self-sufficiency in wbeat is attainable, but only at the expense of such cash crops as cotton. The cash yield of one acre of cotton is three-fold that of wheat and hence the policy of dispensing with sufficiency in wheat in favour of cotton.

Former Planning Minister Dr. Abdel-Razzaq Abdel-Meguid, now in charge of economic and fioancial affairs, has long been in favour of new crops to replace the traditional cotton and sugar-cane, both of which have long growing cyclea and need large quantities of water. Dr. Abdel-Meguid haa recantly expressed his intention, however, of keeping the area allocated to cotton at about 1.2m acres, hut he still has reservations over sugar-cane as opposed to sugar beet.

Poor drainage

The problems of agriculture in Egypt are not only those dealing with the types of crops to be grown. There is also the vital issue of the deterioration in arable land. The Ministry of Agriculture has defined thia as increased salinity as a result of poor drainage, misuse of irrigation waters and the exhaustion of tbe land as a result of intensive cropping.

A recent survey indicated that about balf of the arable land has deteriorated seriously. Some 38.7 and 9.6 per cent of the total area is now classified by tha survey as third and fourth grade land. The tile-drainage system with the aid of World Bank financing is seen as one of the most hopeful solutions.

The percentage of landowners wbo work five acres or less has increased from 44.2 per cent in 1952 to 67.1 per cent in 1975. This trend to smaller units, apart from making it difficult to cultivate the land economically, contributes to yet another difficulty—which is that more than half of Egypt's arable land is allocated to feedstuffs witb little or no dairy and meat production.

Dr. Abdel-Meguid complaioed recently that about 2m acres were allocated to the feeding of donkeys. Caustic as it was, the remark drew some sharp reaction. It was pointed out that because of the limited arable land, the roads to fields and between them were very narrow, allowing only donkeys to pasa. Mechaoisation without regrouping of agricultural land was therefore meaningless. Dookeys would bave to atay at the expense of food production for the 41m people of Egypt until a solution was found to land fragmentation.

The average size of farms in Egypt is 1.5 acres, a "far from ideal size," according to the Ministry of Agriculture. The smallness of these farms and the relatively high wages of aeasonal agriculture workers has prompted farmers to depend increasingly on themaelves, which in turn has prompted two other trends. The first is the increased immigration from rural to urban areas and the second the rush by farmers to introduce machinery witbout any proper study and without selection of suitable machines for small plots.

Related to the small siza of farms is the shortage in storage capacity and this is costing the country a loss of 5 per cent in cereals and about 25 per cent in vegetables and fruits.

The greater reliance on animals for field work has led to a more generally unbalanced policy in animal resources. The estimated 4m cows and water-buffalos in Egypt, in addition to about 2m donkeys, take up the output of more than half of tha total agriculture land, leaving the other half to feed about 41m people.

Yet the dairy and meat production of these 4m head of cattle is very limited, partly because of their use in field work and partly because they are not suited to milk and maat production.

Nevertheless, the Ministry of Agriculture and its various specialised agencies have managed to achieve record increases in crop output.

The preliminary figures for 1979 showed that the net added value to national income from agriculture was E£2,652m. Agriculture and Food Security Minister Dr Mahmoud Daoud told a recent conference in Alexandria that agriculture investments in the 1980-84 development plan totalled E£3,600m. This reflected the renewed intcrest in agriculture—an interest wbich has been dwindling in the past 20 years.

In 1960 these investments accounted only for 7.8 per cent of the total investments. In 1965 they increased to 8 per cent, in 1970 they dropped to 5.4 per cent and in 1978 they were limited to 3.9 per cent. This has led to a corresponding drop in the percentage of agriculture exports from 75.6 per cent in 1960 to 32.3 per cent in 1978.

Dr Daoud said that in spite of the many problams whicb agriculture faces in Egypt, it has been turning in world records. He said that according to the Food and Agriculture Oraginsation's figures the average of production in Egypt in wbeat is 3.7 tonnes per bectare wbile the world's average is 1.7 tonnes. Maize was 3.7 tonnes compared to 2.9 tonnes, rice 5.2 tonnes compared to 2.6 tonnes, potatoes 22 tonnes compared to 16 tonnes and sugar-cane 80 tonnes compared to 55 tonnes.

Dr Daoud added that the volume of agricultural output in 1977 was 18 million tonnes compared to 8.25 million tonnes in 1952 "and this is one of the highest growth rates in the world."

But the population increase and the declining output in some crops is making Egypt more dependent on the outsida world for food supplies. Wheat production increased from 1.443m tonnes in 1960 to 1.856m tonnes in 1979, but consumption during the same period increased from 2.185m tonnes to 6.707m tonnes.

The 1980 plan for agriculture envisaged reducing the areas allocated for wheat by 0.7 per cent, barley by 4 per cent and maize hy 0.3 per cent while increasing areas allocated for rice by 4.1 per cent, ground beana by 8.1 per cent, lentils by 86.4 per cent and cotton by 4.2 per cent.

At the aame time the plan aima at increasing the productivity per acre of wheat by 5.6 per cent, barley by 2.7 per cent, maize by 1.7 per cent, ground beans by 6.6 per cent and lentils by 44.5 per cent. Cotton and riee are expected to maintain their present output.

This would leave estimated agricultural production E£3,678m in 1980 against E£3,583m estimated in 1979, a growth rate of 2.7 per cent.

By a Special Correspondent

Leap in oil earnings buys time for ailing economy

"ONE MILLION barrels a day?" exclaimed an oil executive earlier this month. "It long ago became dollars a day."

Some years ago President Sadat set 1980 as the year in which Egypt's oil output would reach one million barrels a day. This has now slipped to 1982-83, and has been overtaken by the enormous leap in earnings from oil. Even so, Mr. Sadat still likes to remind his officials of this goal.

This rise in income has been a Godsend for Mr. Sadat, buying him economic and political time when it was most needed. Since Egypt became a net exporter in 1976, earnings have risen from $311.8m that year to $1.8bn last year. Earnings are officially estimated for this year at $2.2bn, but they could be 25 per cent higher. The 1980-81 budget puts earnings from petroleum and its products at E£1.86bn ($2.7bn).

Mr. Sadat is also doubly fortunate in having an able Minister in charge of hydrocarbons in Mr. Izzeddin Hilal and in the Egyptian General Petroleum Corporation, one of the more competently managed State organisations.

In determining output levels (the most Egypt has ever produced was 670,000 barrels a day [b/d] briefly around the end of last April) EGPC has been under pressure from three quarters. The first ie the Government, which has been keen to maximise income. The second is the now commonplace realisation that oil'a bigbest valua in the long term is probably in tha ground. Finally, as some of the fields in the Gulf of Suez begin to show signs of age, there is growing concern that damage should not be done to the reservoirs by over-production.

Furthermore, a study by Amoco earlier this year indicated that present production and development schedules could deplete the fields at the rate of 25 per cent a year.

PRODUCTION AND DOMESTIC CONSUMPTION OF CRUDE PETROLEUM AND PETROLEUM PRODUCTS

(000's metric tons)

	1975	1976	1977	1978	Jan.-Sept. 1978	Jan.-Sept. 1979
Crude petroleum						
Total production	11,734	18,641	20,846	24,299	17,995	19,350
El Morgan, July, and Ramadan	7,842	10,044	14,321	17,377	12,854	13,577
Other Red Sea and Eastern Desert	1,875	1,513	1,352	1,202	1,024	954
Western Desert	1,688	1,570	1,509	1,371	971	1,121
Sinai	329	3,514	3,664	4,349	3,146	3,680
Other	—	—	—	—	—	18
Refined products						
Total production	8,614	9,950	10,530	11,362	8,701	8,990
Fuel oil	4,165	5,056	5,254	5,429	4,193	4,278
Diesel and gas oil	1,607	1,717	1,961	2,143	1,658	1,747
Gasoline	1,335	1,476	1,524	1,711	1,304	1,371
Kerosene and jet fuel	1,294	1,439	1,502	1,652	1,298	1,298
Asphalt	118	135	148	193	137	157
Butane gas	49	59	64	72	51	73
Other	46	68	77	162	60	66
Total domestic consumption*	7,382	8,091	8,871	9,627	7,686	7,924
Production	8,614	9,950	10,530	11,362	8,701	8,990
Imports	470	344	299	508	339	403
Less: Exports	−1,702	−2,203	−1,958	−2,243	−1,354	−1,469

* Derived as a residual item and includes cbanges in stocks.

Source: Egyptian General Petroleum Corporation.

No large finds

There is also the concern that for some time there had been no finds of significant size by Egyptian standards, although this picture could change.

The rise in oil prices bas taken the pressure nff the last two considerations. Even so, oil output, which in 1979 averaged 570,000 b/d (plns 50,000 b/d equivalent of gas and condensates) will, according to EGPC, rise by about 6 per cent this year to 600,000 b/d.

The daily production sheet of EGPC for July 7 this year gives a guide to the main producing areas and fields, and a comparison with monthly production averages. Output totalled 578,763 b/d (a little above the monthly average of 574,587 b/d). Taken together with natural gas output equivalent to 47,769 b/d tbis gives a total production of 626,532 b/d. Of this, 428,731 b/d (slightly above the monthly average of 425,583 b/d); or 74.1 per cent. was produced from the Gulf of Suez.

The major fields — Morgan 138,000 b/d, July 128,504 b/d, and Ramadan 82,888 b/d—are run by GUPCO (85 per cent EGPC and 15 per cent Amoco). Their longevity is beleg exteoded by exteosive water and gas injection programmes to preserve pressures. Morgan, for example, bit its highest production peak in 1970 with 340,000 b/d, hut after the initial decline it bas been bolding steady since then.

Perbaps the most encouraging development has been GUPCO's GS-195 field, wbich on the EGPC production sheet was running at 39,711 b/d (just below the average of 40,563 b/d). This new field could more than double its output but is only producing from four wells at present, restricted to a ceiling of 10,000 b/d each.

GS-195 could, it is hoped, ultimately produce 200,000 b/d. Egypt's overall output has been boosted by the return by Israel last November of the Alma (now known as Shaab Ali) field. This was producing 16,479 b/d (just down from the average of 16,753 b/d).

Shaab Ali is a field of some controversy. Diplomats and officials alike cite a gas-oil ratio in production three times higher than normal as evidence that Israel over-exploited it. By last August, with the completion of 12 wells, it was capable of producing up to 40,000 b/d. This was immediately halved on its return to Egyptian ownership.

In the Western Desert the main producing fields were Razzaq 7,101 b/d (below the monthly average of 7,613 b/d), and Abu Gbaradiq 5,798 b/d (compared with 6,024 b/d). Overall prodnction has fluctuated over the past 12 months, reaching last year's final figure through a substantial rise in output during the past few months, and the return of Shaab Ali.

This year EGPC bas imposed a restriction nf 10,000 b/d per well with conservation and oil prices in mind, and while awaiting a comprehensive study by Amoco of Egypt's reserves, which, according to EGPC, are currently put at 2.5bn barrels.

The ratio of three to one in production in favour of the Gulf of Suez and the rest of the country reflects fairly accurately wbere Egypt hopes to make further finds. Besides GUPCO's GS-195 there have been two other encouraging developments. Tbe Suez Oil Company (SUCO), composed 50 per cent of EGPC and the rest divided equally between Deminex, tbe operator, Shell and BP, bas been developing a field EE-85 (to be called Raa Badran) in the eastern part of its two concessions in the Gulf. It was discovered a year ago this month.

Production after the investment of about $250m sbould start at the end of 1982 at 40,000 b/d, but it will have equipment to bandle 100,000 b/d.

In addition, CFP-Total discovered earlier tbis year a well now producing about 2,000 b/d. In the Western Desert Shell Winning NV has added tn its 25,672 sq km concession, named Sittra, a smaller 6,700 sq km area, called Badreddin, immediately to the north.

Exploration ahead

It Is spending $83m on the development of Sittra and $23m over eight years on Badreddin. In both places exploration is ahead of schedule, so that Shell is preparing after one year of seismic measurement to begin exploratory drilling in the second half of 1981 in the north and central areae of Sittra—two years earlier than required.

The rise in oil prices has not affected EGPC's production-sbaring agreements with foreign oil companies. Since tbe Ministry of Petroleum was set up in March 1973, a total of 79 agreements has been concluded (no fewer than 24 so far this year), with a total commitment to spend $1.47bn on exploration and development and with signature bonuses totalling $144.5m.

By the end of tbis month it is expected that BP, Total and the International Egyptian Oil Company, a subsidiary of ENI, will bave finalised agreements for concessions in northern Sinai, with development and exploration spending totalling $120m. According to EGPC, four more agreements are expected to be made by the end of this year.

EGPC continues to offer in its contracts special incentives for exploration in the western desert. As a general guide, tbe companies obtaln 40 per cent (falling to 30 per cent in some cases) of oil produced as cost recovery. Tbereafter production is split 75 per cent EGPC and 25 per cent foreign company, in tbe western desert and 80:20 elsewhere. So in the former case the foreign company would have access to 55 per cent of the oil and in the latter 52 per cent.

In addition, to ensure that concessions are being constantly explored, EGPC permits companies to escape drilling obligations, if after two years' seismic work (cost borne by the company), it foresees no further exploration.

If there has been an effect, and this has caused some strained relations with the producing oil companies, it has been the prices at which EGPC bas insisted at selling oil back. EGPC sticks to what it broadly calls market prices, which in Amoco's case for 33 degree API Suez blend is $34 a barrel. For Agip, fnr whose 26 degree API Belayim oil the price is $29.

Egypt does not bave a vast leeway for increasing exports unless substantial new finds are made in the oext few years. On the basis of 600,000 b/d output, roughly 265,000 b/d goes for domestic consumption. This is rising, according to EGPC, at 11 per cent a year. For example, requirements for 1980-81 have been estimated at 13,23 million tnnnes (264,860 b/d).

It is of some relief that exports of naptha and fuel oil of about 24,000 b/d will balance imports of about 20,000 b/d of butagas, gas oil, lubricating oils, and jet aircraft fuel. From the remaining 335,000 b/d of production, roughly 53 per cent, or 165,000 b/d, go to the companies under cost recovery and production ebaring agreements.

Of the 160,000 b/d remaining, 40,000 b/d is contracted to Israel at $34 a barrel under an agreement reached last year, leaving abont 120,000 b/d for other exports. Every November Egypt negotiates year-long contracts, wboee average size is about 8,000 b/d. Last year there were nine contractors, mainly from Europe, but EGPC bopes for 11 this year.

Egypt, which is not a member of OPEC and was expelled from the Arab equivalent, basically aells its oil for wbat the market will bear and reserves the right tn review prices at least every quarter. At the end of last year it pressed for $40 a barrel but was forced to accept the current price of $34.

World Bank loan

Egypt is trying to expand the use of natural gas. The South Korean company Dailem is now constructing facilities to collect up to 120m cu ft a day of oil related gas from the GUPCO fields at Ras Sbuqair, to be separated and sent to Suez. Tbe World Bank has lent about $85m towards the project. At present about 60m cu ft a day of gas is flared off in this area.

Gas exploration is concentrated in the Nile Delta, where 15 or 16 wells are to be drilled, and the Western Desert, where 12 wells will be sunk over the next three years. At present, oil companies are under no obligation to develop gas finds.

EGPC bas developed a production-sharing agreement, to be put into effect only wben it is satisfied that gas reserves, now put at 4 trillion cu. ft., bave reached 12 trillion cu. ft. (an estimate of Egypt's requirements up to the year 2010). Up to that level, companies will be compensated for discoveries. Thereafter production-sharing for exports, such as there may be, will become possible.

A.McD.

Foreign investment a long slow grind

THE OPEN DOOR policy was launched in 1974 with high hopes and good intentions but little thought to the huge structural and social cbanges it would eotail. Foreign joint ventures bave been slow to materialise, but since 1975 the flow of businessmen into Cairo has been steady and demands on the capital's limited bousing stock has forced rents sky high.

Yet despite the foreign invasion, the mentality gap between bost and potential investor has remained disconcertingly wide. Egyptians translated what at best was a "looksee," at worst a spot of business tourism, into serious interest. The local press was first building, completing and then operating multi-million dollar plants while they were still twinkles in investors' eyes.

It has been a long slow grind breaking down the preconceptions on both sides of the fence: The local belief that Egypt bas intrinsic merits not immediately apparent to hard headed international financiers who have the world to choose from, or equally disconcertingly, that foreign business was coming to plunder the country as it did before the 1952 revolution.

On the other side it has been a question of breaking down unreasonable expectations, especially with commuoications, and creating the proper mechanisms to do business.

Egypt has also had its quota of sheer bad luck. The Peace Treaty in April last year and the subsequent Arab boycott could not bave come al a more unfortunate time, creating jusi one more seed of uncertainty at a time wheo a number of projects were almost ready to get off the grouod. The break with the Arabs probably delayed the process six months as investors evaluated the effect of the boycott on the availability of funds.

It emerged that private Arab capital was oot the dominant force in the investment picture it was thought to be, and in any case was limited almost exclusively to real estate projects. By the end of 1979, Arab funds were flowing in again at an annual rate of $100m. Total private Arab investment in Egypt probably amounts to $550-600m.

As they have found funds of their own, Egyptians have coocentrated more on acquiring expertise than foreign captial, beIng content with the Western company taking a sufficiently large stake to retain interest tn the project.

For the foreign investor, Egypt has emerged with potentiality in its own right largely on the strength of its market rather than as a springboard to the Arab world — although this is beld in mind as a long term perk. Egypt has also gained on balance from being one of the more stable countries in the region and therefore a good base for those companies that can ill afford not to bave some presence in the area. But most atrictly commercial joint ventures are still looking for two to three year payback periods —bardiy a sign of overwhelming confidence.

Tax advantages

Yet interest in Egypt has never been higher, especlally from British and French companies who have tax advantages oeyond the five year tax holidays (now 10 in the case of tand reclamation and new community projects afforded all Law 43 joint ventures). British companies, able now to claim double taxatioo relief even on the Law 43 tax holiday, are investing $100m equity in Egyptian joInt ventures. British investment will form a large part of the expected $700m private investment inflow this year.

Significant recent agreements include British Chloride's plan to huild a E£22m wet cell battery plaot with the public sector CAB General Battery Company, Cadbury Schweppes' venture to build a E£20m bottling plant near Cairo, and a consortium of British sugar producers including Gulnness Peat and Morgan Grenfell wbo inteod reclaiming 100,000 acres in tbe western alde of the Delta for sugar beet production.

The French Flves Call Bacock company is also involved in a augar beet production joint venture on partially reclaimed land in the Delta near Kafr El Sheikh. Another important French project is Creusot Loire'a joint venture with a number of French co-operatives and the Egyptian Edfina company to process and can fruit and vegetables.

British companies bave been particularly atrong in the construction field, Frencb companies have been more diversified in such activities as mineral water bottling and clothes manufacturing.

In contrast, there has been little U.S. private investment despite strenuous efforts by the U.S. Egyptian Business Conncil to promote it. Lacking the financial incentives of Frencb or British companies, U.S. business bas relied heavily on the USAID programme to finance its activities in Egypt.

Companies like Coca Cola, whlch has a citrus fruit farm land reclamation joint venture. are investing aa a way Into the lucrative Egyptian soft drinks market after 12 years on the Arab boycott list.

A number of U.S. companies are reportedly interested in land reclamation—Pepsi Cola is involved in a reclamation project—on the right terms. Soft loan underpinning for land reclamation will be esseotial and aome Arab aid organisations are now said to be considering sucb projects in aoticipation of the day when Egypt will return to the Arab fold.

The best advertisement for the Opeo Door policy is the track records of operating companies.

One of the most successful is the Arab American Vebicles Company (AAV) joint venture with American Motors wbich makes Jeeps. However, this was not aet up as a Law 43 company but under a special law governing the Arab Organisation for Industrialisation which was the majority shareholder before the Egyptian Government took over its share. With AOI sponsorship. AAV had few of the start-up problems usually aasociated with Law 43 companies, but the disbandment of AOI was an unsettling time.

Nevertheless, American Motors considers AAV its most efficient and modern operation anywhere. So successful has it been that all outstanding loans on the $6m plant will be repaid in the next three years. Local componeots will account for about 35 per cent of the finished product by the end of the year. The aim is to have locally produced Jeeps with only the eogines, axles and transmissions imported.

Another success story is Acrow's joint venture with Arab Contractors, Egypt'a largest contracting group, to make steel acaffolding. The secret of Acrow MISR's success is that It makes a simple product, bas reasonably assured supplies of raw materials and a waiting list months long.

For too many joint ventures, however, their experience in Egypt is a catalogue of woes, wbicb invariably starts with the Alexandria Customs. Exemptions passed by the Investment Authority count for little in the Customs shed. One agent bringing in a specialised crane for a Law 43 customer bad to get 39 stgnaturea to clear it.

The Customs is accused of creating delays and as one businessman commented bitterly at a recent investment seminar, "Customs storage is more expensive than a room at the Hilton."

Many are disillusioned at the lack of apparent interest the authorities show in projects once they are under way. Wilkinson Match, Egypt's first industrial joint venture with a public sector company, has been orought close to closure because the authorities have been unable to control massive smuggling of razor blades. Wilkinson also feels sore that tbe Investment Authority has granted a licence to Gilette despite a verhal undertaking of market protection while the project was finding its feet.

Bemused

In the case of Union Carbide, wbich is building a dry cell battery plan near Alexandria, the undertaking is in writing, but this has not prevented public sector battery companies negotiating joint ventures with foreign partners.

Investors have also been bemused by the speed at which the rules seem to change. For instance, recent changes in Customs tariffs have reportedly made General Motors to re-do its sums for a truck plant. The net effect of the new measures must be to make other auto and anto part manufacturers sucb as Miehelin, Volkswagen, Klockner Humbolt Deuts, all of whom are planning ventures in Egypt, think again.

Tbe Free Zones—Egypt bas four either operating or in the process of being built: the free city of Port Said, Nasr City near Cairo, Alexandria and Suez with a manufacturing free zone planned for Adabia near Suez — bave produced their quota of compliants, especially manufacturing ventures wishing to export into Egypt.

Under a curious anomaly, a producer from the Arab Common Market can export to Egypt duty free, wbereas free zone operations only enjoy a 50 per cent tariff reduction if 40 per cent or more of the component is Egyptian.

Tbe Nasr free zone, Egypt's first experience of establishing an industrial park, a concept that must be applied inland to break through the enormous logistic problems faced by investors in finding land and having utilities installed, has been slow to catch on because most people are interested in the free zones for warehousing.

The new Deputy Premier for Financial and Economic Affairs, Dr. Abdel-Razzaa Azdel-Meguid, admits to major failures in the implementation of Law 43 and is personally supervising the Investment Authority while he reads all the papers and investigates complaints. He bas already said there will be no more retroactive legislation and that the rules must apply to everyone.

He has also broken the hold —at least theoretically—of the Alexandria Customs by having customs men drafted into the banks to process customs dues wben letters of credit are drawn.

Whether he is able to change this style into aomething more substantial remains to be seen. Some argue that the decentralisation of Customs will make monitoring more difficult. At least in Dr. Abdal Meguid the businessman feels there is a man with a sympathetic ear for his problems with the authority to get things done.

Alan Mackie

Backtrack on new banking rules

CAIRO's foreign hanking community is still recovering from last mooth's bewildering chaoges in the banking regulations.

First tbey were told they had offered to place 15 per cent of their hard currency deposits with the Central Bank, then it was announced that only the four nationalised banks would be able to issue letters of credit.

Some foreigo banks which had come to depend dearly on their lucrative letter of credit business thought of packing up and leaving. Others were left scratching their heads as to what to do with their carefully trained staff.

As it was clear the nationalised banks could not cope with all the letter of credit husiness, the authorities eventually hacktracked aod the compromise was a discreetly Egyptian one. In return for the foreign baoks offeriog to put 15 per cent of their bard currency holdings (at LIBOR) with the Central Bank for development purposes, Deputy Premier for Economic and Financial Affairs, Dr. Abdel-Razzaa Abdel-Meguid "saw no reason" to deprive them of the right to deal in letters of credit. The details are still being worked out.

The hasty way the measures were introduced knocked confidence—wbich was unfortunate because the rationale behiod them was sound.

Conscious of the need to bring down the open market value of tbe Egyptian pound, thus reactivating the parallel market and lowering public sector compaoy costs, Dr. Abdel-Meguid raised interest rates 1 per cent, bringing the rise this year to 2 per cent. For the first time in years, Egyptian pound interest rates are standing higher than international rates.

To underpin the relative attractiveness of Egyptian pounds Dr. Abdel-Meguid hopes to maintain domestic rates two percentage points above Eurodollar rates, whicb could be difficult as the relative attractiveness of local rates is largely a function of the sharp dive in international rates.

Bolstered by atrong first quarter reserves of $800m, coupled with the decline in international interest raies and the abolition of Decree 600, wbich required Customs duties to be paid in dollars, the open market rate came down from a 85 piastres to the dollar high to 76-77 piastres, a tolerance premium on the pegged rate of 69 piastres, which is the rate at which official transactions take place and parallel market funds are exchanged.

Dr. Abdel-Meguid has no avowed purpose at present heyond bringing the open market rate down roughly in line with the unified or parallel rate. He bas even aaid he is not averse to the prospect of devaluing the unified rate hut he is against a float.

Nevertheless, cbanges are taking place in the market with important implications. For instance, the public sector banks are now accepting dollars at 75 piastres, wbich suggests tbat tourist earnings and remittances (a major source of parallel market fuods before the wideoing premium attracted sellers into the open market) will now receive the better rate.

The net effect could be for the parallel market pool to become a pool exclusively replenished by Central Bank funds (from oil, Suez Canal revenues, etc.) strictly as required by public sector budget allocations. If the gap between the exchange rates can be sufficiently narrowed, the public sector will increasingly use the open market ratber than walt their turn in the two-month queue for parallel market funds.

The new trade regulations should bring more work the way of tbe private banks because the private sector may now compete for public sector business. So will the 100 per ceot deposit requirement for opening letters of credit for all noo essential goods (40 per cent for raw materials and 25 per cent for essential commodities).

The foreign exchange deposit requiremeot will take some of the heat out of the long standing debate as to whetber the foreign banks were doing as much as they should to aid developmeot.

Only the Misr Iran Development Bank bas performed as an investment bank, with the project analysis capability to go out, find, promote and back projects. Its range of activities spread from hotels, brickmaking, agroindustry to a medium sized textile mill.

Tight policy

Cairo Barclays has consciously promoted its development function, but most of the other foreign banks, whether they be joint ventures or hraoches, have concentrated on huilding up a strong trading base before moving into term lending.

Most joint venture banks are restricted by the tight domestic money policy and the fixed interest rate structure. They have, therefore, developed other facilities to woo customers, and have opened downtown hranches in Cairo, Alexandria aod Port Said, Chase National leading the way followed by Citibank, Cairo Barclays, Egyptian American Bank, Misr International, Miar America International aod Lloyds International.

Misr America is looking to tap the money in the provinces by opening up io the Delta, an area considered promising for the Ialamic banks which some officials think are better tailored for tbe needs of the conservative farming community.

A number of local private hanks bave opened up, sometimes with little clear idea as to what should be their areas of specialisation. An exception is the Suez Canal Bank, which has made good use of its influential ahareholders the Suez Canal Authority, and Arab Contractors, Egypt's premier construction group, to carve out a good business. A number of investment groups like the Arab Investment Bank and the Joint Arab Investment Consortium are making their mark in funding and promoting projects.

The offsbore banks like CAB Arab African International and Arab International have felt the Bagbdad boycott keenest, especially the demise of the Arab Organisation for Industrialisation (AOI) last year. AOI provided good business for the correspondent hanks as did the $500m of annual Government transfers that have now dried up.

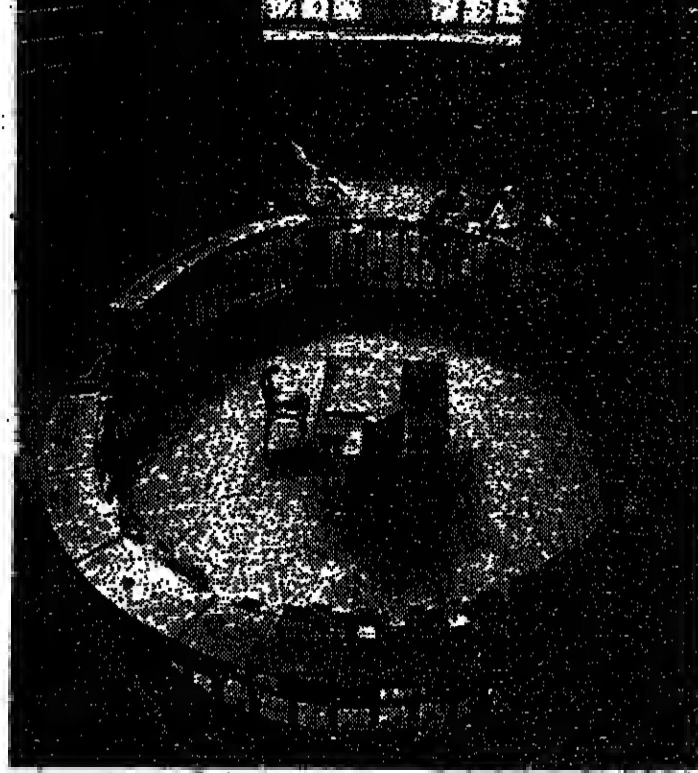
Bnth banks were involved in an aoother casualty of the boycott, last year's abortive $300m Eurodollar loan for the Central Bank. Given the country's improving balance of payments situation, It will oot be back gain in the Eurodollar market for the foreseeable future.

So far, the authorities have only toyed with the idea of setting up a capital market, although a Capital Market Authority has been created.

Some bankers feel the lack of a regulated domestic money market is bindering term lending. They would like the Central Bank to discount bills or create some other instrument which would see them through shortages in day-to-day funds wbicb they currently meet tbrough interbank borrowing. They would also like the Central Bank to allow them to set np a foreign excbange pool rather than dealing tbrough brokers.

The pressures for reform will grow as the market develops. For the time being, investment capital is usually raised through syndicated loans wbere It cannot be individually placed, and the local hanks are increasingly participating.

A.M.


Egypt has a long way to go in creating a capital market: Cairo Stock Exchange floor on a normal day

Government campaigns to curb population growth

SINCE THE beginning of this year the Egyptian Government has been conducting what is perhaps its most persuasive public relations campaign ever to draw public attention to the serious over-population problem and the need for family planning.

Posters, stickers, carrier bags and bar mats with a special motif are used, and there are appeals on radio and television. Its centrepiece is a poster that reads: "Look around you. We have a population problem. Every 20 seconds a new child is born."

A sad reflection of public awareness (or desperation) ia that it bas led to jokes about Egyptian man striving to make up the "abortfall."

The poster is right. Greater Cairo with over 10m people, is grotesquely overcrowded, with all its social services hopelessly over-stretched. To ease the movement of traffic, it bas with some auccess built a two-tier road system, one above the other. In the poorer areas of Bulaq and Rod El-Farag the population density reaches 250,000 a square mile.

The failure to come to grips with the over-population problem does not derive from ignorance. Between 1897 and 1976 there have been nine censuses. The most cursory visit to the libraries of family planning organisations in Cairo reveals a plethora of books and articles on every conceivable aspect of the population, its fertility, its occupations and social babits.

Yet neither Government ageocies nor private organisations, of which there are 417, with considerable international aid and advice, have been able to translate theory into effective practice.

Mrs. Jihan Sadat, the President's wife, addressing a meeting of the Higher Council for Family Planning and Population on February 22 this year, summed up "previous efforts" at family planning as "futile."

Broadly, Mrs. Sadat is right. Under Nasser, the Government at first pinned its bopes on economic development and expansion as a solution. Most officials justifiably oppose the creation of a Ministry of Family Planning as adding yet another layer to an already excessive bureaucracy.

Rival Ministries

Even so, the result has been that the Population and Family Planning Board had to negotiate with no fewer than seven Ministries, while having less political and administrative standing than a full Ministry. There has been inevitable inter-Ministry rivalry, with the Health Ministry jealously guarding its main bold over contraception programmes.

The performance of the Government as a whole has varied. In the 1960s it tended to be either heavy-handed, so that among the lesser-educated there was resistance to rather than compliance with programmes, nr, to quote the 1979 progress report of the Supreme Council for Population and Family Planning, "the official family planning programma was almost inactive from 1965 until 1972."

Moreover, it is generally true tbat in mosl Government speeches nr studies of Egypt's economic development the over-population problem is far down the list of priorities.

A heartening and notable exception is a Government analysis of the strategy for the 1980-84 plan, in which it is the first topic broached after the brief general introduction.

The facts are becoming well known but they bear restating. Earlier this year, in what has turned out to be a considerable understatement, the population growth rate was put at 2.81 per cent. Later, Mr. Gamal Askar, tbe bead of the Central Agency for Public Mobilisation and Statistics, put it at 3 per cent —one of the highest in the world.

Dr. Aziz Bindari, the chairman of PFPB, mainlains that a levelling of the rate and an ultimata fall is already perceptible. Even so, the picture is depressing. The population of Egypt is now 42 million but what is alarming is the rate at which it is increasing.

Elderly Egyptians chat by the Nile in Cairo

As Saad Eddin Ibrahim, of the American University in Cairo, has put it: "At the time of Napoleon's expedition (1798), Egypt's population was estimated tn be around 5m. A century later, in 1897, tbe first complete census put the figure at 9.7m. Fifty years later, the population doubled again, to reach 19m in 1947.

"Less than 30 years later, in 1976, Egypt's population more than doubled to 38.2m."

In the shorter term, the pattern nf growth rates has been disappointing. In 1952 it was about 2.8 per cent. By 1960 it was down to 2.62 per cent, and in 1966-76 it averaged 2.31 per cent. This fall has been attributed to the growing impact of education, social services and the family planning programme, and above all the trauma of the catastrophic defeat in the 1967 war with Israel.

By contrast, Egypt's relative success in the 1973 war and general relaxatioo of social tensions, have produced something of a "baby boom," even though fertility rates fell from 7.2 children per woman in 1960 to 5.4 in 1976.

The population as a whole is overwhelmingly young, with 45 per cent under the age of 15, and is becoming increasingly urbanised. The cities now contain 44 per cent of the population. Cairo has been worst bit by immigration, so that to a natural rate of increase of 1.8 per cent must be added an immigration rate of 2.6 per cent. If this total rate of 4.4 per cent continues, by 2000 tbe population of Cairo could be 18m.

Some Egyptians still argue that to curb the population is to deplete a natural resource. Others pin their hopes on settling the surplus population on reclaimed land. (One study baa shown that even if 2m acres were reclaimed by tbe year 2000, at an average of five acres per family, only 400,000 famllles, or about 2m people at best, could ba settled.)

A special study has been made by RAPID (Resources for the Awareness of Population Impacts on Development) in connection with USAID, which between 1977 and 1979 provided grants of E£16.5m for family planning programmes. (The aid is being extended to E£7m this year and E£4m naxt year.)

Tbe study is entitled "Tbe Effects of Population Factors on Social and Economic Development," and its basic assumptions are a fertility rate of 5.4 per cent and a population growth rate of 2.8 per cent. Its projections are based on three assumptions: constant fertility, a three-child average family, and a two-child average family.

On these three assumptions it estimates that Egypt's population by 2025 would be, respectively, 143.3m, 87.6m and 68.1m. The present target of the official family planning programme is to reduce the growth rate by 0.1 per cent a year, and even at this rate it is unlikely that any real economic benefit would be felt for three or four decades.

Nonetheless, to illustrate the potential strain on Egypt's economy, it is worth taking the study's estimates for the median case — a somewhat optimistic three-child family average.

At tbe year 2000 and comparing them with existing official demands, the population in those circumstances is put at 59.7m. The labour force would then be 23.7m compared with 11.6m for 1980-81. Gross domestic product per head in 1979 was put at E£258. By 2000 it would bave reacbed only E£272—a growth rate of just over 5 per cent over 20 years.

Extra expenditure on social services during this period would cost E£9.5bn. Enrolment in primary schools would double. Cereal imports would remain roughly the same as now —about 4m tonnes a year—but only assuming tbat crop yields and the area of cultivable land rise dramatically.

An extra 5.7m bousing units costing E£2.3bn without the necessary infrastructure would be required. In sbort, the ingredients for severe economic and social stress up to the end of this century are glaringly apparent.

Some hopeful signs are visible, however. The first is the early acknowledgement in the 1980-84 plan that over-population is a priority issue. The second is the Population and Development Project, initiated in 1977.

This programme, centred in the rural areas, bas been trying to counter the heavy Governmental approach of the past by emphasising the link between family planning and community development. It lays heavy stress on personal contacts and the integration of family planning groupa with existing village organisations, eapecially tbe village council.

It appears to be having some success. Some 400 village councils (each including about five satellite villages) involving about 10m people, are now covered by the programme. Initial returns suggest that the use of contraceptinn bas more than doubled since the PDP began.

In broad terms, the strategy is to attempt to persuade parents that the traditional reasons for having large families are now less relevant. Encouraging women to take jobs, the macbanisation of agriculture, and the development of cottage industries are all aimed at increasing the waalth of a family so tbat it can be shown that an additional child is a drain on resources rather tban, as in the past, an economic asset.

Fewer city births

According to Dr. Bindari, a population strategy is now baing worked out for the cities and towns. But this will be different and in many ways more difficult. The administration of cities is larger and more complex, their populations are more varied, aod city dwellers unlike tbeir rural relations, are already moving towards a lower natural growth rate.

The curreot public relations campaign has beeo drawn up with tbe help of the Social Development Center of tbe University of Chicago. In the present phase, the aim is to make the public aware of the problem. The next, starting later this year with the slogan "The Choice is Yours" will publicise with as much medical reassurance as possible the various contraceptive methods available. The overall campaign will continue into 1983.

As with the PDP, the State Informatioo Service bas found that it must differeotiate in its approach between city and country people. Newspapers are read by only 13 per cent of the rural population (compared with 60 per cent in the city) or 17 per cent if the people who listen to village "readers" are included.

The rural accent is thus on personal contacts, radio aod posters. Television is less effective because of a lack of sets. In the cities television, followed by newspapers and radio, are the most effective media of persuasion.

Evan so, perbaps the only cause for optimism is that the grave problem of over population is at last receiving the recognition it long ago deserved. Sadly, it is one that will take decades to reduce to manageable proportions.

A.McD.

Need for new communities in a mainly desert country

THE Ministry of New Communities has a vital role to play in Egypt's urban and demographic development. Egypt's 41m people live in an area the size of the Netherlands, a country with about one-third the population and itself considered densely populated.

The irony is that tha remaining 97 per cent of Egypt's land surface is desert, some of whicb is reclaimable land, but any part of it is fit for urban construction and new communities.

The problem has been not only one of money but also a clearly defined concept as to how the Ministerial responsibilities for development should be allocated between the various rival claims.

Post war development really began with the appointment in October 1973 nf Osman Ahmad Osman, the fonnder of Egypt's largest contracting group, Arab Contractors, as Minister of Housing and Reconstructinn. His main responsibility was to rehabilitate the war ravaged Canal Zone and relocate some 1m people who had mnved to Cairo to avoid the fighting.

This largely accomplisbed, and with the departure nf Osman in 1975, the infant Ministry was left becalmed and in search of a role. It became the Ministry nf Housing, Reconstruction and New Communities and then two years ago the Ministry was split into Development and New Communities, and Housing.

Under the energetic ministrations of Minister Hassballah al-Kafrawi, great plans have been laid. But the Ministry's pitiful budget allocation and Kafrawi's ambitious scbemes meant resources were apread much too thinly to be effective.

Another problem has been ingrown nature of Egypt's construction industry which aometimes bas an ambivalent attitude to foreign consultants coming in and telling them bow tn run the show. Despite the completion of a welter of studies, this has undouhtedly affected the day to day functioning of the Ministry.

Tha May Cabinet changes bave put considerable power and money behind Kafrawi's elbnw, fnr he takes back bnusing and in sn dning, takes on responsibility for the largest bunk of the new budget allocatinns—E£1bn.

However, the new Miniaterial areas of respnnsibility only partially resolve the three-way rivalry batween the Ministries nf Industry, Planning and Construction and New Cnmmunities. Theoretically, construction and New Cnmmunities should control all new development, indnstrial or otherwise. All new industry must be located outside the old lands. In tha past the Ministry nf Industry bas auccessfully vetned plans to locate industry in new cities.

Nnw both Industry and Construction and New Communitiea come undar the overall control of Deputy Premier Ahmad Izzedin Hilal. The allocation of funds, however, is determined by the newly formed National Investmaot Bank, which ia firmly in the hsnds of Deputy Premier for Financial and Economic Affairs Abdel-Razzak Abdal-Meguid.

Another string to Kafrawi's bow was the passing last year of Law 59, wbich gives his Ministry wide discretions to offer 10 years or even greater tax bolidays to foreign investors locating in development areas.

There are five designated areas of development. The Lake Nasser region is being developed primarily for its fisbing potential, although there is some limited possibilities for land reclamation and ratber better cbances for industry using the cheap hydroelectric power from the Higb Dam.

Red Sea potential

Aswan'a tnurist potential could be developed, some feel, but promoters run intn the relatively short letting season. The Red Sea region is virtually virgin country fnr the tourist developers and Egyptian officials are conscious that this area above ali others needs careful development if the incomparable coral reefs are not tn be destroyed.

The Red Sea region ahould avoid some of the problems facing developers of the north west coast, where workers and private co-operatives bave bought np miles of beach west of Alexandria and threaten tn disfigure the coestline with unsightly chalets.

The Oasis of Fayyoum is being developed for its agriculture, fisb and salt works potential while greatest interest is being reserved for recently returned Sinai.

Sinai not only has oil but a wealth of other minerals. There are plana to complete a manganese smelter at Abu Zineima. The Ahmad Hamdi tunnel under the Suez Canal, due for completion at the end of thia year, symbolises Egypt's bnpes for Sinai. A new canal will pump water for the 2m of tbe Nile Valley's overspill population the authorities hope to settle there, as well as irrigating 400,000 acres.

Only one of a string of satellite cities whicb will ring Cairo can be said in any aense to be operating. Tenth nf Ramadan City, between Cairo and Ismailia, now houaes a few thousand people and has snme industry. The project wbich will really launch the city is a E£94m float glass plant being funded by USAID.

Sadat City on the Cario Alexandria desert road is still being designed. It will become a base fnr heavy industry.

Al Amriya new city, which is to be situated at Borg El Arab, 40 km west of Alexandria, is to bave a light industry nncleus.

Other vities like Khaled and Ubur Cities are nnt even at the planning stage and, given the lack of funds which is severely bampering development of the three planned citias, will be no more than names for the foreseeable future.

Alan Mackie

Financial Times writers profile five of Egypt's leading figures in politics, industry and journalism.

Men who have made their mark

THE VICE-PRESIDENT

Hosni Mubarak

VICE-PRESIDENT Hosni Mubarak has established himself in the past two years as the man most likely to succeed President Sadat.

Although a butt of popular jokes in the period immediately following his surprise selection as Vice-President in April 1975, Mr. Mubarak has won increasing respect from the coterie of friends and advisers around the President.

This is due in large part to the confidence that Mr. Sadat has in his Vice-President and the consequent amount of poyer he has allowed him to amass. Apart from his obvious role of deputy to Mr. Sadat, Mr. Mubarak as secretary general of the Dominant National Democratic Party, is in effective control of Egypt's military re-equipment programme; co-ordinates all the intelligence services; runs the Presidential office, and is party to most of Mr. Sadat's international discussions on Middle East policy.

Bornin 1928, Mr. Mubarak entered the Military Academy In 1949 where he quickly distinguished bimself as a capable fighter pilot. He trained in the Soviet Union for two periods betweeo 1959 and 1961 and later transferred to the Soviet-built TU-16 light bombers and commanded the Egyptian squadrons during their iovolvement in the Yemen civil war during 1962. He was made station commander of Cairo West airbase.

In 1969, at the remarkably early age of 41, Mr. Mubarak was appointed Chief of Staff of the Air Force and became Commander-in-Chief three years later.

In this new role he worked closely with President Sadat preparing for the October 1973 war with Israel. The fact that the Egyptian Air Force performed better during that war than at any time in its history brought Mr. Mubarak more prominently into the political sphere and set in motioo his accession to the Vice-Presidency.

Those who know the Vice-President describe bim as a serious man, cautiously ambitious and with a hard cutting edge when the occasioo requires. He is not ao intellectual but has risen to his present post through his own merits and without the assistance of well-placed family or friends.

This achievement appears to have made him less vulnerable to external pressures and is reflected io the wariness with which other prominent Egyptians tend to discuss him. They emphasise his peochant for discipiloe, whicb migbt be another way of saying that he is opposed to people using official positions for financial gain. In rumour-ridden Cairo the stories abont corruption in high places never seem to mention Mr. Mubarak.

Modest

His own modest life-style supports this image and there was scarcely a whimper when the Vice-Presidential offices had to be vacated a while ago so that the property could be returned to its former owner, who had lost it duriog the sequestrations of the late President Nasser.

Above all the Vice-President is a military man. He still maintains excellent contacts with Air Force officers including pilots. Less sure is his influence within the Army but with Defeoce Minister Gen. Ahmed Badawi considered to be one of his closest associates, Mr. Mubarak has largely overcome that potential handicap.

The doubts about his ability eventually tn take over the leadership of Egypt centre maioly on his personal qualities. Those who have worked closely with him question whether he bas the drive and the total commitment to want to be President. Others suggest that he is too dour, too much the "good, honest soldier" and too little the charismatic actor-manque that to some extent has characterised both Nasser and Sadat.

But just as they grew into their jobs in dramatic, if totally different, ways so too may Mr. Mubarak have yet to reveal to public view those qualities which will enable him to dominate the political scene.

He is certainly better prepared than anyone in the past 30 years, knows the Soviet Union and the West, speaks Russian and English, and has travelled widely in the Arab world. Should he so wish, the combination could prove one day to be unbeatable. And the Vice-President does not like to be beaten, as his squash partners ruefully testify.

Mr. Mubarak

Dr. El Baz

THE FIRST UNDER-SECRETARY

Dr. Osama El Baz

WHILE THE power and influence of Egypt's Foreign Ministry has declined sharply under President Sadat, especially since the peace initiative, ooe of the few men to have sailed through this relatively troubled period with his own reputation undiminished, and probably enhanced, is Dr. Osama El Baz, the First Under-Secretary.

The diminutive, sometimes abrasive and sometimes charming Dr. El Baz is rarely in the headlines but invariably very close to where the major foreign policy decisions are made. He is both associated with the peace initiative yet in a way subtly distanced from it. He can be close to both the Presideot and Vice-President Mubarak but still appear to have his own firmly held views that need not be entirely suppressed because of the context in which he works.

Dr. El Baz has been active tn most of the major negotiations with Israel since the disengagement agreements that followed the 1973 war. His sometimes colourful language bas allegedly shocked some Israelis, especially if it has been heard just after they have emerged from the warm embrace of President Sadat.

To this extent Dr. El Baz and the Minister of State for Foreign Affairs, Dr. Boutros Ghali, have been used as a counter-point to the President. While Mr. Sadat is showing Israel the bright and attainable vision of peace and security on the borizon, such people as Dr. El Baz are hammering home the need for a Palestinian entity if this dream is to be realised.

Born in 1937, Dr. El Baz is a lawyer by training. After Cairo University he spent a brief spell at the Foreign Ministry before going off to the Harvard Law School where he gained both his master's degree and his doctorate. This six-year spell in the United States also saw him emerge as the president of the 28,000 strong Pan-Arab Student Movement, a job be apparently filled with some diplomatic flair.

Back io Cairo, it was not until he joined the personal staff of the then Foreign Minister, Ismail Fahmi, in late 1973 that Dr. El Baz's swift risa in the Foreign Ministry began. In 1977 he was appointed chef du cabinet of the Foreign Minister and was given ambassadorial rank. When Ismail Fahmi resigned in protest against President Sadat's decision to visit Israel, Dr. El Baz remained in office. He weot to Jerusalem and was appointed First Under Secretary and then Chief of Staff for Political Affairs to Vice-President Hosni Mubarak.

Inevitably Dr. el Baz bas been accused of opportunism and there is some resentment in the Foreign Ministry of the role be plays outside the walls of his shabbily magnificent office in Tahrir Square, where the massive chandelier sways ominously as the buses rumble past outside.

Unambitious

Feet up, tie-less and speaking in impeccable if heavily accented Eoglish, he claims not to be ambitious beyond influencing the way enlightened foreign policy should go. A pan-Arabist and a strong supporter of Palestinian rights, he believes that Egypt can fulfill herself only within the Arab context.

Pragmatically, bowever, be thinks there are several different paths that can eventually lead to the same goal. "I am as committed to the Palestinian cause as my many Palestinian friends," he maintains.

As for the Israelis with wbom he has negotiated, only Gen. Moshe Dayan among the better-known figures rates a slightly favourable mention because of his willingness to admit the logic in other people's arguments.

When asked about Egyptians who had helped to shape his career and views, the pause before he answered was long. His system of values and penchant for hard work was a strong tenet of the Islamic faith and came from his father, a mathematician and an academic.

He believes strongly in the need to rid the Middle East of foreign influence and to achieve social justice in Egypt. Finally, in professional diplomatic terms the biggest impression on him had been made by Ismail Fahmi.

As President Sadat is forced increasingly to re-assess the direction of his peace efforts the role of Dr. El Baz is likely to become more important if nn mnre publicly visible. Neither he nor the people who know him well expect that he will ever become Foreign Minister.

"He is a man who knows instinctively where power is, enjoys being close to it and really feels he has a contribution to make, but who never wants finally to be in the position of exercising that power." That assessment by someone whn has been close to Dr. El Baz for many years is probably as fair a summary as will be found.

LITERARY JOURNALIST

Dr. Louis Awad

DR. LOUIS AWAD claims today that he works in an ivory tower in Al-Ahram, Egypt's leading newspaper. To some extent this is true, for the Egyptian Government, under President Sadat, has for some time used against dissenting journalists a means of taking them out of circulation, but without causing complete impoverishment.

Thus Dr. Awad, probably the foremost literary journalist in Egypt today and for some years Al-Ahram's cultural editor, has been holding court lo a spacious but sparse office lo the newspaper and drawiog a full salary, but like others beld to be of Leftist persuasion, his articles appear only occasionally.

It could be frustrating for some. But it has given Dr. Awad, at 65 now five years past official retirement, time in whicb to work on the final stages of his two latest books. These should appear, printers permitting, in the autumn.

Dr. Awad is a kindly, highly intelligent man, of rumpled donnish appearance and with disconcertingly poor eyesight. He has views on almost everything, which he punctuates with a hoarse laugh. Unlike many clever men, he listens to and asks for the views of others.

But it is on literature and culture, not just Arab but also European (his doctorate was on the theme of Prometheus in English and French) that he is most thoughtful and authoritative. And in the days when he was allowed space in the newspaper, he used to write long and devastating articles about the state of culture in Egypt. One particularly scathing attack writteo some years ago was entitled Aam al-Qaht — the year of the drought. Indeed, after 1952, the year in which King Farouk was overthrown, he says "You cannot really write history, it is politics."

Born in Minya in the centre of Egypt in 1915, he was the middle son of five brothers and a sister in a Coptic family. His father was for years a senior clerk lo Khartoum, and had his first short story published at the age of 14 in the local newspaper.

Early on he quarrelled with his father over whether he should do arts (his choice) or law (his father's). At one atage in the argument he ran away

CONTINUED ON NEXT PAGE

هكذا من الأجل

INDUSTRIALIST

Osman Ahmad Osman

NO EGYPTIAN excites controversy like Osman Ahmad Osman, the Ismailia boy who made good and went on to found a contracting empire in his Arab Contractors that has no rival in the Middle East.

Apart from the immense fortune he has amassed through his contracting companies in Kuwait and Saudi Arabia, and his multifarious interests in Egypt itself, Osman wields immense power. Indeed he is often thought of as a kingmaker by virtue of his close relationship with President Sadat, whom he reputedly met in Aswan in the 1940s. Their friendship grew out of their regular meetings at Friday prayers. It is a tradition they still maintain.

Osman attributes his success to the common touch. "This makes me big," he says. "The difficulty is to understand the problems of the young apprentice. If you can deal with him the big men follow," he contends. He has valued his personal relationships above everything else, ever since his first successful contract, a garage for a Greek in Ismailia, put together with six pieces of wood. He made E£18 profit.

Many of his key collaborators date from those early days in the late 40s when Osman founded his company. If the human relations are right, "the organised programmes coming from experience" flow from them, and so does the cash, he says. Osman believes in profit sharing. By looking after his staff, Osman commands their total loyalty.

He has no truck with socialism. In the traditions of a nineteenth century capitalist he is against restrictions. "A free economy, liberty of the individual, brings competition. Competition is everything. If you want to develop an area you must have competition. If you want to kill a project give it to the public sector," he says.

Ironically it was the Russians, Nasser and the public sector—his three bête noirs—that launched Osman on the road to the big time. In 1959 Nasser called him in to help on the completion of the Aswan High Dam. The quid pro quo for his collaboration was a 10 year moratorium, despite nationalisation, to run the company as he wished.

Nasser died three months before that immunity was to expire. He was thus ideally equipped to meet the challenges of the Open Door era, while his competitors had been reduced to shells by the ravages of the fixed price system and under capitalisation.

In his single-minded ambition to develop his company, he does not see, or wish to see, that the market conditions in which he was operating hardly constituted "fair competition" as Adam Smith would have understood it. Nor does he allow that his overpowering presence in the market might not have been the best thing for getting the Egyptian construction industry on its feet again.

He says there is work now for everyone. "Egypt will need 10 Arab contractors in the coming years," he says, and points out that foreign contractors are now working in Egypt—something he welcomes.

Between 1973 and 1975 he took over a newly-constructed housing and construction portfolio with the principal aim of relocating 750,000—1m people to the war-ravaged Canal Zone. Now he is in charge of the country's food security programme. He has many ideas "in my head," but he needs five years more, then he is going to export food.

He has the superb confidence of men whose touch turns lead to gold. Experience has taught him he can "find his way with any person and any problem." He built up Ismailia Football Club. In 1967 it won the Football Challenge Cup and in 1969 became champion of Africa. Then Osman's attentions were required elsewhere and the club's fortunes waned.

Not so Arab Contractors, whose 50,000 workforce Osman hopes to double. The company has contracts in Sudan, Saudi Arabia, Libya (they need us) and even Iraq, as well as Egypt.

One foreign consultant of Osman's time at the Ministry of Housing and Reconstruction said: "When Osman was there things happened." Despite his controversial use of his market power, Osman intends to see that they continue to happen.

Mr. Osman

DEPUTY PRIME MINISTER FOR THE ECONOMY

Dr. Abdel-Razzaq Abdel-Meguid

HE WOULD probably not like the comparison, but Dr. Abdel-Razzaq Abdel-Meguid potentially wields more power over Egypt's economy than any official since Lord Cromer at the turn of the century.

Last May, at the age of 51, he was appointed Deputy Prime Minister for the Economy, with direct responsibility for finance, economics, planning, trade and supply and without any Ministers of State as back-up. Since then he has tried to initiate dramatic economic reforms.

He has announced the first Budget in modern times to show a surplus. He has made announcements amending banking and trading laws and threatening further changes in the economic structure which have left many Egyptians and foreigners alike confused, incredulous and often highly critical.

But this small, well-built, bespectacled man clearly thrives on controversy. He enjoys debate, showing off spectacular economic theories and a firm grip of detail. He claims to be a pragmatist and rejects any accusations of being a Friedmanite.

Qualified

He is academically well-qualified, having obtained a BA in commerce at Alexandria in 1950, an MA at Birmingham in 1955, and a doctorate in economic planning at Oxford in 1957. He was a visiting professor at Texas University in 1962.

His public service has been extensive, but mainly connected with planning. In the early 1960s he was director of the regional planning project for the Aswan Governorate. Later he became chief expert at the Ministry of Planning and deputy chairman of the Investment Authority Board. As planning Minister from April to October, 1977, he was mainly responsible for drawing up the 1978-82 plan, and he held that post again from May, 1978.

Dr. Abdel-Meguid has extensive international contacts after being a United Nations expert in Sri Lanka and, briefly in 1977, United Nations Assistant Secretary-General for Developing Countries' Affairs until President Sadat recalled him to complete the development plan. He is basically Western-oriented, with an English wife and three daughters all educated in Britain.

There is no doubt about his brilliance or his ambition. His writings range from 24 volumes on the economic and social features of the Governorates of Egypt to the banking system in the Middle East.

On the possibilities of establishing a money market in Egypt, he says the institutions are available but are "like a group of pearls lacking a string to make a necklace." With social inequalities in mind, he refers frequently to the need to "redress the balance." There is also, as most people would concede, a touch of arrogance in his approach.

But there is no doubting his energy, whether answering, as he did recently, for three hours an investment seminar questions from people all over Egypt, or at Press conferences, where journalists can expect to be taken personally to task for articles of which Dr. Abdel-Meguid disapproves.

There is also no doubt that some economic shake-up was long overdue, even if people now complain that it happens to have arived. The crucial factor on his success will be whether he learns to delegate—not one of his hitherto noted gifts. His burden—if only for bureaucratic reasons—is excesaive for one man alone.

Dr. Abdel-Meguid

Dr. Awad

CONTINUED FROM PREVIOUS PAGE

from home. Louis in the end won, largely because his father, a man frustrated at being a reader not a writer, unwittingly pushed him towards literature. Through his father's personal library he became aquainted with writers as varied as Victor Hugo and Senecca.

In the early thirties he attended Cairo University. He obtained a BA in English literature at King's College Cambridge in 1937 where he stayed until 1940, visiting Paris for holidays. He returned to work as a lecturer at Cairo University. In 1953 he obtained his doctorate at Princeton — but had long decided that in his case creativity in his writings should be secondary to the role of critic.

He admits to "timidity" in the face of being creative, a somewhat unlikely claim in view of his output. For to date he has written 44 books, of which four have been in English. Besides perfect English he speaks French and reads Latin with ease and Greek with a dictionary.

In 1853 a Mr. Anwar Sadat sent for him to help run the newspaper, Al-Gumhouriya, as the organ of the one-year-old revolution. But he resigned, following Neguib's defeat by Nasser, after writing articles asking the army to return to barracks.

There followed a period with the UN in New York. But he remained at odds with Nasser, but not because of conservative leanings.

In 1959 and 1960 he was interned at Abu Zaabal jail with many others—"we were beaten daily"—for outspoken criticism of pan-Arabism as a whole, and of Egypt's disastrous union with Syria in particular. But it is typical of both a probing and, in the end, creative spirit that he should have fallen foul of both Nasser and Sadat.

But it is important to notice—for those who look back to the former's era with uncritical nostalgia—the different ways in which he has been treated.

Meanwhile he presses on towards retirement, with volume three of a history of modern Egyptian Thought (which will end eventually in 1952—"it could help," he says, "the people of today organise their thoughts") and Introduction to Arabic Philology. He lives in a flat off one of Cairo's busier central streets with his French wife and a crowded menagerie: he laughs "let's say one dozen cats and one dozen dogs."

Dr. Awad

Slow progress on the streets of Cairo

Traders wait for customers in the Alexandria fish market

Minister seeks more tourism investment

EGYPT has all the natural ingredients for highly successful tourism, and now it has in Mr. Gamal El-Nazer a new, dynamic Minister of Tourism and Civil Aviation who wants to introduce a greater variety of Western-style vacation facilities, to attract larger numbers of European and American visitors, and to increase private sector involvement in the industry to improve hotels and services.

Tourism already is one of Egypt's chief earners of foreign exchange — recorded revenues totalled $522m in 1979 and receipts for the first four months of 1980 are running ahead of last year. If Mr. El-Nazer succeeds in bringing in more foreign investment, getting stalled projects moving, and creating new resort areas on the sea coasts, the result will be substantially increased earnings.

President Anwar Sadat's directives to decentralise some executive economic powers need to be applied quickly to tourism if Egypt is to overcome serious shortages of hotel space, accommodate growing numbers of tourists, and expand tourism beyond its traditional focus of historical monuments to include recreational and curative vacation opportunities.

In the long term, the decentralisation of tourism may serve Sadat's political aims. The Government plans to move casinos and nightclubs away from the cities to remote resort areas. Moslem fundamentalists strongly oppose the existence of such amusements which they consider signs of Western decadence.

Mr. El-Nazer has been Minister of Tourism only since mid-May when Sadat installed a new Cabinet. But his experience as chairman of the Investment Authority and Minister of State for Economic Operation means he has high level contacts with businessmen in Europe and the U.S. He will actively seek fresh investment funds from this group.

One of the Minister's first actions was to replace the board of Egyptair, the national airline, with one man, an efficiency expert. Mr. El-Nazer wants to modernise airports in Alexandria and Luxor so they can handle international flights. This would reduce pressures on Cairo International Airport.

He shares the philosophy of Dr. Meguid the Deputy Prime Minister in charge of the economy, that all public sector companies should be managed by private interests. Egyptian private entrepreneurs are likely to get a chance to run, if not own, hotels. Then the Egyptian General Organization for Tourism and Hotels, the majority owner of the Nile Hilton, Sheraton, Meridien, and Mena House Oberoi, will be forced to improve its management to compete

Lack of funds

The Ministry of Tourism estimates that 2m tourists will be coming to Egypt in 1984 and planning is based on this projection. This would be about double the number of tourists that came in 1979, but it is doubtful that facilities can be expanded sufficiently to handle this many people in 3½ years.

Egypt's tourism sector suffers from the same problems that plague all development efforts in the country: lack of funds, changing regulations, conflicting priorities among Ministries, bureaucratic red tape, and Cabinet reshuffles. There does seem to be general agreement that the greatest potential lies in creating resort facilities on the beaches of the unspoiled north-west Mediterranean coast and along the Red Sea where the Sheraton chain has opened the only hotel to date.

There is also a concensus in the Government that too many big hotels are being built in Cairo and too few hotels are planned for Luxor and Aswan in Upper Egypt, the places where most tourists want to spend the greatest amount of time seeing Pharaonic art and architecture, or relaxing far from the traffic jams, noise pollution and crowds of Cairo.

In the late 1970s a significant change occurred in Egyptian tourism which is altering government policies. Non-Arab tourists began steadily increasing at the same time as the numbers of Arab tourists began decreasing. This shift has created a big demand for more sophisticated accommodation.

In 1974, Arabs accounted for 61 per cent of the total tourists going to Egypt, but in the wake of President Sadat's peace initiative and the economic boycott by his Arab critics, Arab travel to Egypt dropped sharply. Arab tourists represented only 30 per cent of the total last year. The U.S. has replaced Saudi Arabia as the country with the most tourist travel to Egypt.

Gulf sheikhs are once again appearing on Cairo streets in the summer of 1980. However, the Government is now looking to the OECD countries as the key source of expanded tourist revenue which can offset the loss of Arab moneys.

Currently, tourism earnings are not keeping pace with increased numbers of tourists because non-Arab visitors apparently spend less than Arabs. Overall tourist revenues dropped 11 per cent in 1979 compared to 1978. The loss in recorded revenues reaching the official exchange market overstates the decline because the free currency market is capturing a growing and mainly unrecorded share of tourist exchange transactions.

Arab tourists usually change hard currency for Egyptian pounds on the street, so a large amount of money is spent in Egypt that is never reported as revenue to the State.

The casinos miss the big business the Arabs brought and individual Egyptians cannot get as much money by renting flats to Europeans and Americans as they did from many Arabs.

But some Egyptians in the tourist industry believe Government revenue losses from the disappearance of Arab tourists have been exaggerated.

Non-Arab tourists stay in good hotels instead of flats, and they pay the stated price for what they buy. "The Arabs always bargain," said one tour agent, "and they don't use tour operators. I don't think the Government is losing a lot of money."

The increase in tourism from the OECD countries is easier to quantify. Travel to Egypt from these nations was up 14 per cent in 1979, according to Ministry of Tourism figures.

Although there was a slight percentage decrease between 1978 and 1979 in the total number of tourists visiting Egypt, the OECD countries supplied 60 per cent of all tourists last year compared to 52 per cent in 1978. Travellers from the OECD countries also spent more time in Egypt last year than they did the year before.

New interest

The UK sent 25 per cent more tourists to Egypt in 1979 than it did in 1978, and France sent 24 per cent more. The 139,867 Americans who visited Egypt in 1979 represented an 11 per cent rise in U.S. tourists from the 1978 level.

The Egyptian-Israeli Peace Treaty, the travelling King Tut art exhibition, and a more aggressive Government tourism promotion campaign have all helped to awaken new interest in the West in Egypt as an exotic vacation possibility.

However, there are other factors, such as the growing political instability in the Middle East, rising air fares, and the failure of some accommodat[ion] to live up to European sta[nd]ards, that could cause a do[wn]turn in tourism in future unl[ess] major improvements occur.

No matter what the diffic[ul]ties, many curious Israelis wa[nt] to visit Egypt, but the Egypti[an] Government makes them wa[it] three to four weeks or more f[or] a visa. Progress in the autono[my] negotiations probably wou[ld] stimulate the exchange of tou[r]ists. So far, only some 6,00[0] Israeli tourists have visite[d] Egypt, mostly on direct El Al flights.

Mr. El-Nazer believes Egyptian-Israeli joint ventures in tourism will materialise in time assuming the political climate improves. A lot of European and U.S. tourists currently go t[o] Athens, Egypt and Israel o[n] tours that combine archaeolog[y] and the Holy Land. Touris[t] organisations in Egypt, Isra[el,] Europe and the U.S. would lik[e] to create partnerships to expa[nd] such business and to buil[d] resort complexes in Egypt.

To continue on from Europ[e] to the Middle East costs th[e] tourist more money. The Egyptian Government no[w] realises that to attract mor[e] Western tourists it must provid[e] good guides and better tran[s]portation, "because these are n[ot] people on a five dollar a da[y] budget," as one official put it.

Muriel Allen

Open Door policy changes private sector attitudes

ONE OF the paradoxes of Egypt's Open Door policy—and it is healthier for it—is that some 60 per cent of the E£2.1bn equity capital of 43 projects approved by the Investment Authority is Egyptian. It comes from the savings of expatriates working abroad, money stored under the bed from the Nasser era, or assets, such as land or apartments, which have, since Egypt was opened up, fetched dizzy prices.

It has had a profound effect on the character of investment. Where Egypt's planners have been thinking in terms of grandiose car manufacturing projects, the Egyptian entrepreneur has been busily investing in a wide range of small industries and services.

Thus a young Egyptian mechanic will work abroad to earn enough to buy himself a home and garage back in Egypt. Artisans often bring back their skills into their own businesses. Professional people could well invest their nest egg in a partnership with friends or colleagues. Airline pilots have set up their own airline.

But perhaps the classic example of this kind of private enterprise was the creation in 1978 of Al Salam Hospital, Cairo's first fully equipped private hospital, which was set up by a group of doctors and physicians from Cairo University Medical School.

Special help

Two types of banking institutions are giving special help to the private sector: the Islamic banks, the Nasser Social Bank and the Faisal Islamic Bank, and the Development Industrial Bank (DIB). Under their statutes "Islamic" banks are unable to accept or give interest, so they take equity stakes in ventures.

The Government financed Nasser Social Bank is primarily interested in welfare projects but one of its more successful schemes has been providing loans for self-owned taxis.

The more commercially orientated Faisal Islamic Bank provides funds for a multitude of small scale activities from bee-keeping to trade financing.

More specifically geared to the industrial private sector is the DIB, founded in 1976 to help the private sector back on its feet after the lean Nasser years. Its aim was to re-use capital and skills which had gone to ground in the early 1960s to avoid nationalisation.

When the bank was opened there were no funds available to the private sector for vital stocks and capital imports. This the DIB provided, channelling U.S. Agency for International Development (USAID) and World Bank and other aid agencies' soft loans into industrial projects at 11 per cent—and funding local currency through the domestic banking system.

Working through the artisan co-operatives and by word of mouth, and through its training programmes, the bank has resurrected many skills. Indeed chairman Abdel-Hamid Kabodao claims the BID has created over 150,000 jobs — as many as those produced by all the projects approved under Law 43.

The bank has also been active in encouraging larger scale activities and has been building up project analysis teams in conjunction with the World Bank. It does not lend exclusively to the private sector. Indeed the public sector has taken some 25 per cent of the E£160m the bank has lent, but this accounts for only 1 per cent of the 3,000 projects the bank has been involved with.

In line with national priorities, the DIB is encouraging land reclamation and agro-industrial projects — cold storage projects for instance are taking a large slice of available funds—and also the sandbrick industry. Largely because the textile industry was so ripe for rehabilitation, some 500 small scale textiles plans have also benefited from BID funds.

Anxious to feed aid into productive enterprises, USAID last year opened a private sector commodity aid programme. The $68m made available for construction equipment, intermediate goods and raw materials through the seven leading local banks was immediately snapped up.

USAID is also encouraging private participation in capital projects. The Suez Cement Company is a Law 43 company established to build two cement plants on the provisio that the 80 per cent public sector stake which USAID funded, be sold to the public after five years.

Another USAID project, a float glass plant at Tenth of Ramadan City, will be launched as a Law 43 joint venture with the plant builder one of the shareholders. USAID is taking the process further by setting up a $30m Private Investment Encouragement Fund which will complement DIB's work.

The Government is sloughing off whole areas of the public sector to the private sector, not only to raise efficiency but also to raise funds. For instance, the trading sector has been revolutionised. The private sector now competes on equal terms for all but a few essential commodities.

To lessen the financial burden of the housing programme, the Government is encouraging private housing and is also providing incentives for middle income housing co-operatives. The Government has nowd moved out of the building materials industry, leaving it solely to the private sector. Private bus companies now operate outside Cairo and Alexandria, and the trend will continue.

Working hard

If one leaves aside the Islamic banks and the DIB, and to a lesser extent the commercial banks, private sector investing is limited to those with sufficient capital to take significant stakes in the medium to large projects, or to the modest artisan type investment. The small man will not be able to participate in the larger projects until there is an effective stock market.

Deputy Premier for Financial and Economic Affairs, Abdel-Razzak Abdel-Meguid is working hard on plans to float the shares of public sector companies. But a great deal of work needs to be done first to evaluate their assets and trading potential.

A number of Law 43 companies are considering a stock market quotation, but major tax reforms are necessary before it can become a significant source of capital funds.

Short of a major convulsion in Egypt's political system, the growth of the private sector seems inexorable. At present the private sector accounts for only 10 per cent of industrial investment but already contributes 30 per cent of industrial production. In the 1980-81 Budget the private sector is expected to provide 20 per cent of total investments of just over E£4bn.

Its contribution to production, and especially industrial production, can therefore be expected to grow significantly. This will be cold comfort for Egypt's 3.5m public sector employees should the private sector fail to produce jobs for the 500,000 coming on to the labour market each year.

Productive job creation remains a major headache for the authorities, but the depth and variety of the private sector should not be underestimated.

A.M.

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LORD ARMSTRONG'S LAST REPORT

BY SAMUEL BRITTAN

Putting the Government's house in order

WILLIAM ARMSTRONG was one of the great public servants of the 20th century. There must have been dozens of "Armstrong Committees" in the course of his career. It was a privilege, tinged with sadness, to serve on the last of these — sadness because Lord Armstrong died suddenly after the report had been completed, but before he had a chance to present it.

The work of the committee—on Budgetary Reform in the UK—was remarkably harmonious.

This was itself a tribute to the skilful steering of the chairman. But it also reflected the recognition that there was something very odd indeed about the way public spending and taxes are presented in the UK; and people, who disagreed about many other things, could agree on diagnosis and the broad lines of reform.

At a time of uproar over unemployment, the presentation and planning of public expenditore and revenue is far from being a side issue. For unless the Covernment can put its own house in order it has not much hope of being a stabilising influence in the wider national economy.

The most dramatic example of the faults of the present way is tha horror with which MPs and many financial observers discovered that Civil Service pay was to rise by nearly 25 per cent in 1980-81. This contrasted sharply both with the 18¼ per cent official inflation forecast and with the 14 per cent cash limit within which public service pay was supposed to be contained. If the Armstrong report were adopted, Parliament could not be bounced into accepting such an increase without clear warning and explanation whila there was still time to do something about it.

The main defects of the present system are:

● Expenditure and tax decisions are made at different times, by different procedures and in different units. Public

Public expenditure and revenue is far from being a side issue.

expenditure decisions would normally he made this autumn up to 1983-84 and summarised in a winter Public Expenditure White Paper expressed in the famous "fnnny money." By contrast, tax decisions would be made a few weeks before the Budget of March or April, 1981 for one year ahead and expressed in actual money. The British Bndget is probably the only one in the world to he concerned with tax alone. Not surprisingly there have been completely unintended tax shifts, such as the fall in the real tax on tobacco, due to the failure to look ahead as well as major shocks when spending plans have been found to have a larger tax cost than intended.

● The "funny money" used for public spending is very funny indeed. For instance "1979 survey prices" refers to prices over a wide variety of different dates, depending on the items in question. It is thus very difficult to compare present plans with past expenditure or with the eventual outcome. Worst of all, the "volume" method of projection leaves out of account the tandency for the price of public aector purchases to Increase faster than the general price level by an average of around 1 per cent per annum—a discrepancy known to the initiated as the "Relative Price Effect." It thus encourages over optimism followed by long series of "crisis cuts."

● Major changes in tax rates, structural reforms and minor improvements in tax law are mixed together in the Finance Bill; and there is no real opportunity for Parliament to consider either tax or spending plans before the Government has become too committed to change course.

The Armstrong recommendations represent rational developments of existing procedures or changes already afoot.

To hegin with, the winter Public Expenditure White Paper would bave side by side revenue projections going as far ahead as tbe expenditure ones. They would assume the indexation of direct and indirect taxes simply to provide a benchmark for measuring proposed changes. The Government would bave to express a view about the borrowing requirement if it is to relate the revenue and expenditure sides. It might alao want to make allowances for recessions or booms by publisbing a set of projections on a cyclically adjusted basis.

But this last suggestion is in no way central to the recommendations. Indeed the Report emphasises that the size of the borrowing targets must depend on the prevailing ecooomic philosophy. The committee does point out, however, that a medium-term fiscal plan of some kind is basic hoth to economists who believe in monetary targets and to other schools of thought. Within such a framework it would be less likely that emergency spending plans—formulated aay in the present recession—would spill over to provide an unintended overload in future years, as happened in the Heath "reflation" of the early 1970s.

At the time of the winter document the Goveroment would give an Idea hoth of its general tax thinking and its immediate proposals for the coming financial year, preferably with alternatives for Parliament to discuss. Not even the most "practical man" on the committee thought that forestalling was a serious prohlem.

These changes would transform the Puhlic Expenditure White Paper into a provisional or ("green paper") hudget. The document would be examined hy the Treasury Committee and debated hy outsiders. A second document aroond March or April, that is at the time of the present Budget, would contain the Covernment's firm proposals.

Plans to change the tax structure or tidy up the tax law would have to ba publisbed aeparately at least six months hefore any legislation. Indeed, an Ancillary Finance Bill containing such changes and separate from tbe annual Bill which gives effect to the Budget ia suggested as an experiment very much along the lines of an addresa given hy Sir Ceoffrey Howe when Shadow Chancellor.

Another key recommendation is to use a more realistic price hasis for measuring future expenditure. The idea is that spending plaos should be stated as nearly as possihle in the way in which they would appear in a world without inflation.

Tha method for doing this is known by the offputting lahel of "cost terms." One all too hrief table in such a form already appears at the back of the White Paper and in the Medium Term Financial Strategy tahle reproduced here. But it is not used as the main control or measurement system.

All that "cost terms" really means is that prices in actual money are adjusted by one general price index. If the price of tanks or council bouses rises faster than the general price level the excess will be counted as a real increase in spending and not just an adjustment for inflation. At a micro level, the new price hasis would give programme planners an incentive to take into account *relative* price changes to give the taxpayer better valoe for money.

Controls in terms of a general price index would also help to protect cash limits.

The simplest procedure would be to measure all spending in the exercise now going ahead at the price levels assumed to prevail in 1981-82 (or yaar 2 as it would ba called in the Treasury). Then revenue and expenditure would be In the same units, and detailed 1981-1982 expenditure plans would he in the same units as plans for future years. This would make it possihle to merge the Public Expenditure White Paper and the Financial Statement, wbich together contain so many different numbers for the year ahead, that the most erudite visiting economists have confessed themselves completely haffled.

Nor would it be the end of the world if the Government revised its inflation forecast for 1981-82. All estimates would then be multiplied or divided by a single figure.

Control in terms of a general price index would also help to protect cash limits. Otherwise they will sooner or later be discredited when the gap between actual and predicted inflation proves too large.

Indeed, a breakdown was averted in 1979-80 only by the near fiddle of phasing Clegg pay increases so that they mostly accrued in 1980-81. The so-called 14 per cent limit was then superimposed on an already bloated total to give the new limit for the present year. Thus, although Civil Service pay rose by 25 per cent it all took place *between* two financial years with no apparent breach of the limits. This trick will not always be possihle.

The Armstrong Committee would adjust cash limits wholly or partly whenever the inflation rate departs from the forecast by more than a pre-specified amount. This would make true overspending stand out all the more. In the Civil Service case it would bave heen obvious that 8 per cent more was being pald over and above inflation. The Prime Minister and Chancellor would either have had to justify this, reduce the Clegg awards or cut hack employment much further.

* * *

It is not too bard to discover preliminary government reactions to Armstrong. Ministers were pleased with the reception given to the simultaneous publication of expenditure alongside revenue in the 1980 Budget—which was a fortuitous event due to the delay in deciding the final expenditure cuts. Revenue projections for further ahead are essential to the Medium Term Financial Strategy.

On the other hand the December Green Budget does not yet find favour. There is the *amour propre* of not wanting to publish figures likely to be revised three months later. There is a fear that unpopular decisions will be more difficult if there are three months of public discussions, and I do not think the Chancellor wants the present Treasury Committee crawling all over his provisional plans. Ministers are thinking of publishing a few spending decisions such as Rate Support Grant in the autumn, while taking most public expenditore decisions as near to the spring Budget as possible.

On "funny money," tha present mood is to make haste slowly by using the Relative Price Effect to warn the Cabinet that spending plana are more expensive than they seem. This is not as good as costing them properly so that the spending lobbies have no excuse for misunderstanding.

The more go-ahead officials are, however, in favour of using a "Year 2" price hasis—which is the simple proposal that would do most to remove the obscurity; and It has already been decided that the "funny money" in the present PESC exercise will be based on the price level of a single date last autumn instead of the previous motley selection of base periods.

The late Lord Armstrong

PUBLIC SECTOR PROJECTIONS

1978-79 Prices (£ billion)

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Total expenditure	74.0	74½	74½	73	71	70½
Total receipts	—65.0	—66	—67½	—67½	—69½	—71
"Implied fiscal adjustment"*	—	—	—	—	2½	3½
General Government Borrowing Requirement (GGBR)	9.0	8½	7	5½	4	3
PSBR†	9.3	8	6	5	3½	2½
(as percentage of GDP at market prices)	5½	4¾	3¾	3	2¼	1½

* Treasury language for hoped-for tex cut.
† The differance between the GGBR and the PSBR is public corporation borrowing from the private sector end overseas.

Source: Financial Statement, 1980-81

THE CIVIL SERVICE PAY RISE

	1979-80 Outcome (£000)	1980-81 Estimates (£000)	Increase %
Central Government Remuneration	3,717	4,083	9.8
Gross provision for Civil Service pay increase		544	13.3
Total		4,627	24.5

Source: Chief Secretary's Memorandum on the Estimates, April 1980, Table 5

Letters to the Editor

Inland Revenue reform

From Mr. J. Newman

Sir,—The choice of the Inland Revenue PAYE computer has given rise to much debate in the computer industry as to the manner the contract is put out to tender. I feel, however, it is worth making the point as well that the interests of the users, i.e. the employees of the Inland Revenue and of course the tax payers, have not been openly debated.

Assumptions must already have heen made about the future development of the structure of the UK tax system for a time span of at least 15 years (the life of the computer) in planning the compnter configuration. Thus future Chancellors will face a new refrain "the computer will not take it" whenever tax reform is mentioned. At least this will be different from the existing excuses that "the staff won't like it," but the public should realise one other metter: the new computer structure (including its softwear) will almost automatically involve tax reform in the PAYE area.

This reform is undehated and I feel this country should not lose the opportunity of recasting the UK taxation system. At this stage, we should attempt to consider the possibility of a negative income tax system, consolidation and abolition of many of the variety of social security payments, and self assessment.

As above, there will be one other major user of the computer: the staff of the Inland Revenue. It is note-worthy that Ron Christopher (president of the Inland Revenue Staff Federation) in a letter to these columns a month or so ago, mentioned that the cause of the mistake rate of 27 per cent in PAYE assessments was pressure of work on his staff. He asked for relief by way of further staff and ignored the advantages of computerisation. It is doubtful, in my mind, whether Mr. Christopher will not marshal his men into acting as latter day Luddites on the application of the new computer. Action should be taken now, to start reducing numbers.

One questions the ahility of Parliament to cope: to date, following the issue over a year ago of a paper from the Board of the Inland Revenue, only a couple of questions have heen asked. Efficient government, I would presume, demands a reasonable dehate on this matter, since it involves such major issues.

John A. Newman.
Kingsgate House,
115, High Holborn, WC1.

Uncertain prospect

From Mr. C. Naylor.

Sir, — Would it not be sensible for us as taxpayers to urga the Covernment to choose the same computer for the tax offices as that cbosen for the Swansea vehicle licensing set-up?

C. C. Naylor.
6, Ferrings, College Road,
Dulwich SE21.

De-merger rules unworkable

From Mr. J. Clarke,

Sir,—The proposed new clause to the Finance Bill regarding "De-mergers" is most welcome, but it is not workable because of the Companies Act 1980!

Section 39 of the Companies Act provides that a company may only make a distrihution out of its accumulated realised profits. Distributions are defined to incinde those in cash or otherwise, except ones made in limited circumstances including a winding up. The de-merger rules are designed to allow certain bona fide commercial reconstructions without giving rise to taxation liabilities on the company or its members. Such transactions are termed "exempt distributions." A typical situation at which they are aimed is where A. Ltd. carries on two trades, X and Y, aod trade X is distributed to company B. Ltd. in consideration of B. Ltd. issuing shares to the members of A. Ltd. Assuming A. Ltd. has no realised reserves (because the two trades have together been break-even) bnt there are unrealised surpluses on, say, its factory premises, the distribution of trade X and its factory, while exempt under tha Taxes Acts, will be unlawfully made under tha Companies Act, since it will be made out of unrealised reserves. Tha consequences to the members are that they must pay a sum to A. Ltd. equal to the value of the unlawful distribution.

The Companies Act pitfall may be avoided by effecting the re-organisation with a winding up of A. Ltd.; but from a tax viewpoint we are then back to where we were before the De-merger rules!

Tha proper solution is for S.45(2) Companies Act to include a tax exempt distribution as one of the exceptions to the definition of distribution.

J. L. Clarke.
Longcrofts,
Capel House, 62, New Broad St., EC2.

The price of gas

From the Director, National Federation of Clay Industries

Sir,—Your recent reports on action taken by this federation in conjunction with Chemical Industries Association and other organisations bave highlighted the desperate situation which exists in many industries because of the penal taxation on gas users.

May I, however, comment on a serious myth which is all too prevalent. In the article by Sue Cameron (July 16) it is said that British Gas Corporation has a strong case for saying "industry can just as easily use oil or coal . . . leaving gas for 'premium' markets."

This is a most specious argument. It is rather like saying that the army once fought with hows and arrows and can do ao again. Tha truth is that the damand of the market for more sophisticated prodncts means that only gaseons fuels give the manufacturer of many heavy clay and refractory goods the critical temperature controls they must have. No donbt, aa time goes on and present research and development projects are successful, other fuels will become available. This, however, is for the future—a future which will not exist for British industry unless there is an urgent change of policy.

The neccssary action can only be taken hy Government which is imposing impossible demands on industry.

The selling price of building bricks, clay pipes, clay tiles, and refractories is rougbly one-third of the price of energy used in manufacture. With our members having to pay anything from 27p-30p per therm, how does anyone think they can beat (for instance) their German competitors who are paying less than 16p? Tbe answer is obvious—less exports from UK and more imports into UK. The present prices may be conserving energy, but it is also exporting employment.

R. S. Redmond.
Weston House, West Bar Creen, Sheffield, South Yorkshire.

Steam is best

From the Director, Economic Affairs, Chemical Industries Association.

Sir,—So British Gas Corporation thinks that gas is "far too good to be used just for raising steam" (July 15). In fact, most of its sales to domestic and commercial consumers are used to provide hot water or warm air—much poorer forms of energy than steam. Domestic and commercial central heating units operate at around 65 per cent thermal efficiency, compared with industrial hollers which achieve at least 75 per cent. And the steam raised in industry will probably produce electricity or motive power before it is used at a lower pressure in processes.

Leaving aside social and economic judgements about the respective merits of warm (overheated?) homes and offices compared with the jobs and products which depend on manufacturing industry, both the first and second laws of thermodynamics tell us that, next to the direct firing of process furoaces and domestic ovens, steam is best!

P. G. Caudle,
Alembic House,
93 Albert Embankment, SE1.

Coal industry penalised

From Mr. R. Boam.

Sir,—The coal Industry in the UK has performed hetter than most in so far as increased productivity and production as well as financial targets are concerned. Its long term expansion plans are jointly agreed by Covernment, Coal Board and unions—an exemplary plan with long term benefits which are not sufficiently recognised in pnblic.

Why then, must this industry suffer an imposition of short term financial restraint which could jeopardise the whole edifice?

German, French and Belgian coal industries henefit twofold from their Covernments' support. Coal imports are permitted only for use In excess of indigenous production regardless of temporary cbeaper import prices. In the UK coking coal imports of abont 4m tons equal the surplus coal prodnced this year—and this production bas occurred based on plans previously agreed with the steel industry.

Subsidies available to the Cerman, French and Belgian industries are respectively 14, 20 and 25 times as much per ton of coal as British grants—which in three years time will disappear altogether. It cannot be in the long term interest of Great Britain to penalise British Industry to that extent compared with its competitors in the European Community operating in the identical economic climate and during a developing world energy crisis.

R. W. Boam,
EAS (Coal),
99, Eaton Terrace, SW1.

Status for engineers

From the Director General, Federation of Civil Engineering Contractors

Sir,—While agreeing with tho general sense of Mr. Crystal's comment (July 21) on your Lombard article "Higher status for engineers," the term "civil engineer" bas a very specific meaning, both inside the UK and abroad.

The essential differences between civil engineers and engineers employed in manufacturing industry are the reason why this federation rejects the Finniston proposals as irrelevant to civil engineers and the needs of our industry. Civil engineers are already found on company boards and at all levels through management in civil engineering companies. Post-graduate training is already formalised through the Institute of Civil Engineers aod the importance of further qualifications is well recognised hy employers in the industry.

We already have in civil engineering higher standards of education and training than Finniston is proposing for manufacturing and we do not wish to see these lowered through the imposition of what could turn out to be simply another layer of hureaucracy.

Derek Caulter,
Cowdray House,
6, Portugal Street, WC2.

Post Office unions

From the Secretary Ceneral, Council of Post Office Unions

Sir,—Your story "Power struggla in Post Office—unions bid for supremacy" (July 15) is wide of the mark.

Post Office unions are not engaged in a power struggle. What they are doing is considering how to adjust their own structure and relationships to the new reality. That will be two corporations instead of one —two employers, both of which are likely to develop their own employment and industrial relations policies.

To portray that as a union power struggle is grotesque, the more so because the majority of the sevan Post Office unions will have significant membership in both corporations.

As for this council, it will continne in heing until the unions decide that circumstances produce a need for different arrangements. Until that time, this unique organisation will continue to represent the interests of Post Office staff effectively and efficiently. Meanwhile, my colleagues and I are not on the lahour market.

Anthony Carter,
11-12, Maiden Lane, WC2.

Today's Events

GENERAL

UK: Trades Union Congress geoeral couocil considers suggestions for settliog Isle of Grain laggers dispute.

TUC steel industry committee meets British Steel Corporation to discuss Consett works closure.

Mr. Peter Walker, Agriculture Minister, speaks at Alnwick Castle, Northumberland.

Mr. Keith Speed, Navy Parliamentary Secretary, visits Royal Fleet Auxiliary, Fort Austin, Devonport.

Mr. Neil Kinnock, Opposition education spokesman, speaks at Welwyn Carden City.

Sir Peter Caosden, Lord Mayor of London, visits Central Electricity Cenerating Board national control centre, Bankside.

Ladies British Open Golf Championships start, Wentworth Club, Surrey (to July 26).

Overseas: President Nicolae Ceausescu of Romania meets President Valery Giscard d'Estaing in Paris at start of four-day official visit to discuss European security.

PARLIAMENTARY BUSINESS

House of Commons: Civil Aviation Bill, third reading. Criminal Justice (Scotland) Bill, remaloing stages. Northern Ireland Orders.

House of Lords: Dehate on European Air Fares. Ground Came Bill, second reading.

Select Committees: Defence on strategic nuclear weapons policy. Witness: Mr. David Greenwood. Room 8, 10.30 am. Education Science and Arts, on the first scrutiny session 1980. Witness: Mr. Mark Carlisle, Education Secretary. Room 6, 10.30 am. Energy on ouclear power programme. Witness: Central Electricity Cenerating Board. Room 16, 11 am. Public Accounts on role of Comptroller and Auditor Ceneral. Witnesses: Sir Douglas Henly, Comptroller and Auditor Ceneral. Room 16, 4 pm.

OFFICIAL STATISTICS

New vehicle registrations for June.

COMPANY MEETINGS

See Company News on Page 15.

COMPANY RESULTS

Final dividends: The Investment Company, McLeod Russel, Steinberg Croup, S. W. Wood Group. Interim dividends: Albion, Moorside Trust. Interim figures: Edinburgh American Assets Trust, Updown Investment.

UK COMPANY NEWS

MFI meets its revised forecast with £16.77m

PRE-TAX profits of MFI Furniture Group advanced 20 per cent to reach £16.77m for the 53 weeks to May 31, 1980. This fell short of last October's forecast of £18m, but was in line with the revised projection of around £16.65m made in April this year. Turnover climbed to £127.34m, compared with £87.47m for the previous 52 weeks.

First-half profits had risen from £6.03m to £8.06m, but although trading for the first nine months was in line with budget, in the final quarter margins came under pressure stemming from a general decline in consumer spending in the sector and changes in the product mix.

As a result, Mr. Arthur Southon, the chairman, said pre-tax profits were likely to fall short of his original forecast by approximately 7.5 per cent.

Current trading continues to be difficult and he looks at the immediate future with considerable caution. High interest rates are having their effect due to the group's increased borrowing resulting from its capital expenditure programme, while in the short term, costs will be incurred in integrating the Status Discount branches.

The chairman believes that the enlarged group is well placed to take advantage of any upturn in consumer demand and the outlook for the longer term remains encouraging.

Tax for the 53 weeks took £4.2m, against £3.35m last time, and stated earnings per 10p share rose from 8.05p to 9.53p. A final dividend of 1.52p effectively lifts the net total from 1.87p to the forecast level of 2.62p per share. Payments absorbed £4.04m (£1.89m).

The 1979-80 figures exclude Status for which MFI made an agreed £30m bid in March—the offer became unconditional on May 14. Results of Status show pre-tax profits, after various provisions, well down at £0.95m for the 26 weeks to end-May, compared with £2.41m for 28 weeks last time.

During the year MFI opened 16 new branches, a number of which were purpose-built properties and, after allowing for one closure and two relocations, there were 77 stores trading at the year-end with a total area of 1.5m sq ft. Status had 66 branches with an 800,000 sq ft total area.

Since the Status acquisition, the group's prime objective has been to increase profitability of the Status stores. To achieve this, all or a part of the MFI product ranges have been introduced into all Status stores, while considerable savings in the joint advertising budget are being made as a result of integration.

The company has already made good progress in a store conversion programme with a view to developing all suitable Status stores into fully-fledged MFI Furniture Centres. To date seven Status stores have been converted and this is continuing at a similar rate.

Also, the company is rationalising, where appropriate, the increased group branch network.

Two completely new branches have been opened during the first seven weeks of the year and a further 15 are planned to open in the current period.

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Pentland Inv. ahead midterm

HIGH INTEREST rates and a consequent rise in interest received on short-term deposits have lifted gross revenue of Pentland Investment Trust to £1.03m in the half year to June 30, 1980, compared with £801,039.

Second half income and earnings are not expected to be significantly different from those of the first six months, say the directors.

As known, the interim dividend is maintained at 1.5p, and the Board is now forecasting a final of not less than 4.5p. Last year's total was 6.28p, including a non-recurring payment of 0.83p.

After tax of £23,529 (£21,707), corporation tax of £121,517 (£60,081) and imputed tax on franked income of £204,191 (£186,837), net revenue was up from £454,834 to £604,710.

Stated earnings per share are 3.36p (2.5p) and the net asset value is 169.5p (157.5p).

Dowty rises £6.7m but expects reduced growth

THE COMPLETION of a large order for mining equipment from China has helped lift pre-tax profits of Dowty Group to £37.9m for the year to March 31, 1980, compared with £31.18m. At midway, the surplus was up £3.27m at £17.39m.

The rate of growth experienced during the past five years, when operating profits have increased by an average of 31 per cent annually will be reduced in the current year, say the directors. While turnover and profits are expected to increase, they will not be very much higher than those now reported. But despite the completion of the Chinese commitment, orders since the year end have been 16 per cent higher, they add.

The dividend is effectively raised from 3.75p to 4.5p net with a final of 2.5p—the same as last time after adjustment for the one-for-one scrip issue.

Trading profits rose from £31.06m to £37.52m, of which the mining division contributed £15.51m (£9.82m), aerospace and defence £16.29m (£15.65m), industrial £3.25m (£3.36m) and electronics £2.37m (£2.23m).

The pre-tax surplus includes the associates' share of £368,000 (£185,000) and interest receivable of £217,000 (£69,000 charge). Earnings, after lower tax of £3.21m (£7.83m) resulting from stock relief and accelerated capital allowances on investment, are shown as 25.7p (17.5p).

HIGHLIGHTS

Lex considers the latest prospects for the new gilt-edged tap stock with further evidence from the unemployment figures yesterday that the recession is biting hard. On the company front Dowty has continued to produce growth but the rate of expansion is likely to slow in the current year with the mining expansion side facing more difficult conditions. MFI has achieved its reduced profits forecast with a pre-tax rise from £14m to £16.8m but it is making cautious noises. Big price rises by order of the Government helped to push up British Gas' profits last year and the Corporation will continue to be a buoyant cash generator. There was another dawn raid yesterday, this time on Gough Cooper, and news of a partial offer for Rolls-Royce from an Australian group if the Vickers' deal falls by the wayside.

Dividends absorb £6.07m (£5m), leaving retained profits up from £18.34m to £28.62m.

On a CCA basis, pre-tax profits are reduced to £25.5m (£23.4m).

Group turnover went ahead from £236.75m to £314.55m, with overseas and direct export sales jumping from £75.29m to £138.94m. Investment in fixed assets during the year amounted to £23.5m, and is likely to exceed £20m in the current year, say the directors.

They expect the pattern of business in the group to change during 1980/81, with output and profitability of the aerospace division expanding to meet a growing order book world-wide, and the mining division facing reduced expenditure by the National Coal Board and unable immediately to fill the gap created by completion of the Chinese contracts.

The depressed state of the agricultural tractor, motor car and other industries is having its effects on the industrial division, but there are encouraging prospects for expansion in output of railway yard marshalling equipment.

The electronics side is continuing to make steady progress with growing order books and increasing opportunities, add the directors.

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British Land ahead at £3.9m

ALTHOUGH declining from £3.11m to £2.94 in the second half, British Land Company, property investment and developer, reports pre-tax profits £550,000 higher at £3.91m for the full year to March 31, 1980. Interest charges were down from £13.72m to £10.42m.

There is a return to dividends with 0.25p net, as forecast.

In addition to achieving further substantial growth, the group reports a reduction in gearing, resulting in net assets being increased by £24m. Borrowing net of cash has fallen to the low point of £76m as at March, 1980, compared with £114m a year earlier.

There was a tax credit of £2.4m (£1.76m), leaving a surplus attributable of £6.31m (£5.12m) and the earnings per 25p share is 8.1p (7.1p). There are 78.1m shares this time—an increase of 6.5m. Shareholders funds have jumped from £80.7m to £118.9m.

The group's properties are valued at £192.7m, comprising £177.9m on an open-market basis for properties held through investment and dealing subsidiaries, and £14.8m for development properties.

The current gross value of the group's portfolio, including joint interests and partnerships, but excluding the substantial additional value of the industrial businesses, is £219m.

Cash rose from £8.3m to £11.1m, despite expenditure of £10m on development and investment acquisitions. The debt/equity ratio is now 58 per cent, and the debt/property ratio is 40 per cent.

Profitable investment transactions to March 31 realised £38.8m and new lettings and reversions increased net income from property to £9m per annum, compared with £8m.

The retailing and manufacturing company, Dorothy Perkins, was sold in September before the current retail downturn. Disposal of the business realised a surplus of £10.6m. The consideration received was partly in cash and partly 74 freehold and leasehold properties. Sales have been completed or contracted for 28 of these properties, yielding proceeds of £4.4m at over £1m above book value.

Mr. John Ritblat, the chairman, says that although the current high interest rates do not give rise to any corporate concern, they do severely inhibit new development.

Mr. Ritblat says that while borrowing remains so expensive, the need to create future growth financed by internally generated funds will continue to dominate dividend policy. With so many uncertainties in the economy, balance sheet strength is the first priority.

● comment

British Land's asset revaluation is in line with recent market expectations; its profits improvement reflects increased property sales, falling finance costs, and a rise in net property income from £8m to £9m. Interest costs could be lower again this year, and the group is confident that a steady trend in reversions plus the higher income from modernised properties will more than offset any general pressure on rental levels. At the same time, its balance sheet has been substantially improved. But its shares at 94p stand 30 per cent below their fully diluted asset backing—an above average discount which presumably reflects uncertainty about the immediate outlook for capital growth in property values, and British Land's preference for high retentions.

Hogg Robinson down by £0.59m at year-end after provision

OPERATING PROFITS of Hogg Robinson Group were marginally higher at £9.27m for the year ended March 31, 1980, compared with £9.21m previously. But after a provision this time of £0.65m against outstanding trading balances, the pre-tax figure slipped by £0.59m to £8.62m. Turnover reached £38.16m, against £32.04m.

In pre-tax terms, second-half profits, at £5.89m, were up slightly on last year's corresponding figure of 5.85m. Mainly due to a substantially reduced contribution from international and reinsurance operations, profits in the first six months had fallen by around 19 per cent to £2.73m. However, the full year results were expected to show an improvement on this performance.

Turnover and profits were split respectively between (£000's omitted): insurance broking £25,617 (£22,673) and £3,330 (£4,214); Lloyd's underwriting agencies £2,662 (£1,985) and £2,191 (£1,638); travel and shipping £7,542 (£6,155) and £1,022 (492); reinsurance underwriting £610 (£298) and £78 (£64 loss); equipment leasing £2,724 (£924) and £13 loss (£49 profit). Investment income and profits were £2.66m (£2.88m).

The group's UK insurance broking and travel interests proved to be the main areas of progress making substantially increased profits contributions. These helped offset the effects of the difficult market conditions existing in the international and reinsurance activities.

The Lloyd's underwriting agencies again contributed significantly to group results despite the effect of some computer leasing losses.

Overseas associates and subsidiaries performed well with a useful improvement over the previous year and the Board is hopeful this progress will continue.

Stated net earnings per 25p share dropped from 13p to 11.93p, but the dividend total is stepped up to 5.7p net, against 4.94p previously, with a final of 2.7p.

Tax charge decreased from £4.37m to £4.06m, and after minorities of £500,000 (£425,000) earnings fell back by £0.36m to £4.06m. Extraordinary debits took £306,000 (£253,000) and exchange losses on consolidation, £49,000 (£155,000), giving attributable profits of £3.71m, compared with £4.01m.

Dividends absorbed £1.94m (£1.68m) leaving retained earnings down from £2.33m to £1.77m.

● comment

A sign of the times at Hogg Robinson: the group has felt it necessary to make a provision against outstanding trading balances of £650,000. These relate to "unreconciled items" on reinsurance balances where the group has felt there may be a net debit. Adding that back and profits would have been well above expectations. In any event the figures were satisfactory enough to leave the shares 120 up 1p. The strong pound, a weak dollar and other currency movements may have lopped off about £500,000 from overall performance while group expenses have risen on its principal areas of activities: broking, travel and shipping where the expense ratio has climbed from 83.7 per cent to 86.9 per cent. Otherwise the group's useful contribution from its important UK domestic account has underpinned performance, while underwriting agency business, against a background of computer leasing losses in Lloyd's, did better than expected. At present levels the shares yield 6.9 per cent and stand on a historic p/e of nearly 10. Merger speculation may keep the shares a lively market.

U.S. & General revenue rise

AFTER TAX of £223,000 against £190,000, revenue of United States and General Trust Corporation came out higher at £445,161 for the half year ended June 30, 1980, compared with £350,954.

As already announced the interim is lifted to 4p (3p) net per share, and a final not less than 5.61p (same) is forecast.

Net asset value per share, as at June 30, is given as 293p against 263p.

FAIRDALE

The profit of Fairdale Textiles for the year to January 26, 1980 was £473,919. Yesterday's headline was incorrect.

Reduced spending and bad weather hit brewers

A GLOOMY trading picture was painted by two of Britain's largest brewing companies yesterday. At the annual meetings of Allied Breweries and Whitbread shareholders were told that sales had been hit by the wet summer weather and the general economic downturn, which had reduced consumer spending.

Following a year in which the general picture was one of a weak start followed by a strong finish, Mr. Keith Showering, chairman of Allied, said the current year started "very well."

But the favourable weather earlier in the year did not last and the bad weather since has been accompanied by a downturn in retail activity "virtually right across the board." The chairman said that while this downturn did not affect the group either as soon or as seriously as some other sectors "we are bound to be adversely affected."

Mr. Showering said that if the bad weather was to continue much longer and interest rates were not further reduced "we would have to run very hard to stay where we are." If one of these factors improves "we should manage tolerably well," and "if we have both better weather and much lower interest rates we should again be sure of satisfactory results."

Mr. Charles Tidbury, chairman of Whitbread, warned holders that "if the group suffered a similar fall away in business as had been seen in June and July, some elements of the group's investment plan would have to be postponed."

The chairman felt that it was more likely that "we shall have to review our capital expenditure, and try to find a balance between a healthy short-term cash flow and long-term needs of the company."

However, Mr. Tidbury said that despite the difficult trading conditions the company was increasing its market share "which will stand us in good stead in surviving the recession in the best possible shape to exploit the future."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Amal. Distilled	0.5	—	0.5	1	0.75
Aero. & Gen. Inst.	3.5	—	2.8	3.5	2.8
Allied Textile ......int.	2.82	Oct. 1	2.82	—	7.24
Arlington Motor	6.5	—	6.5	9	9
Bootham Engrs. ......int.	5.5	—	5.5	—	11.5
British Land Co.	0.25	Oct. 10	nil	0.25	nil
Dowty Group	2.5	Oct. 20	2.5*	4.5	3.75*
Eurotherm Int. ......int.	1.5	Sept. 8	1.5	—	4.5
Gillett Bros. ......int.	7	Aug. 20	7	—	10.5
Hawley Leisure ...†int.	0.6	Oct. 1	0.3	—	0.8
Hogg Robinson	2.7	Oct. 6	2.24	5.7	4.94
London Inv. Tst.	0.35	Sept. 9	nil	0.35	nil
MFI Furniture	1.52	—	1.5*	2.62	1.87*
Neepsend	2.3	—	2.3	3.32	3.22
Benjamin Priest	5.1	July 28	4.62	6.79	6.09
Vantage Secs. ......int.	0.25	Oct. 1	0.25	—	0.9
Wheeler's Restaurants	4.33	—	4.33	5.88	5.88

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Second half slowdown pegs Neepsend to 3%

INDUSTRIAL DISPUTES and the various effects of the current recession are blamed by Neepsend for only a 3 per cent increase to £1.31m in pre-tax profits for the year to March 31, 1980. Despite a good start to the financial year—this steel and steel product manufacturer reported profits up from £396,000 to £808,000 at halfway—the company was badly hit by interest charges, particularly in the second half.

Although borrowings had been reduced by the year-end, interest charges rose by £450,000 to £1.36m. Redundancy, re-location and associated costs were about £300,000, and the national engineers' and steel strikes together cost the company around £100,000.

After tax up from £13,000 to £38,000, stated earnings per 25p share are lower at 5.79p against 6.9p. The final net dividend is unchanged at 2.30315p, making a total 3.31815p (3.2244p).

Group turnover was considerably higher at £35.66m compared with £24.67m, resulting in a per cent increase in trading profit at £2.5m. Home sales were up from £20.95m to £27.45m, and exports were a record £6.99m (£2.36m).

After an extraordinary credit of £72,000, being the net realisation on property disposal and re-location expenses, and dividends, which absorbed £451,000 (£438,000), profit retained amounted to £408,000 against £844,000.

Mr. Stanley L. Speight, the chairman, says capital expenditure will be substantially reduced following two years of heavy investments, and he sees the current year as a very difficult one due to the world-wide recession.

He says 1980-81 will be a year of survival so that advantage can be taken of the improved situation which he believes will be apparent in 1981-82. The company is well-placed to move ahead as the economy improves.

● comment

Unminced words about current year prospects took 6p off Neepsend, leaving the shares yielding 14 per cent at 37p. The bottom line of yesterday's figures was below expectations, but quite a respectable performance given the £400,000 rationalisation costs taken above the line, plus the higher tax charge with no deferred tax release in this year's Budget. The modest pre-tax profits growth for the group masks more dramatic internal shifts. The metals division doubled profits on the back of higher prices for special steel raw materials like molybdenum. The tools division saw profits halved, so that last year's 50:50 domestic profits split between the two divisions is now more like 75:25. With a fully-taxed historic p/e nudging 8, Neepsend is well out of the engineering sector's bargain basement. It has yet, however, to unveil the CCA picture. The willingness to rationalise, re-equip, and keep a tight cash rein augurs well for recessive times. Borrowings remain high, but last year's 80 per cent gearing has been reduced. But with last year's steel boom unlikely to recur, and few signs of life in tools, the short-term outlook is, as the board recognises, tough.

Allied Textile lower midway

A PERIOD of distressing trading conditions has meant a fall in pre-tax profits of Allied Textile Companies from £1.5m to £1.27m for the six months to March 31, 1980, on reduced turnover of £14.69m, compared with £15.51m.

Mr. J. E. Lumb, the chairman, says that although the outcome may be regarded as acceptable in this trading environment, in terms of the profits the group should be earning, the Board is less than satisfied.

Third-quarter management figures indicate that to date the group's level of profitability has been maintained.

The group's substantial cash balances and the absence of need for bank borrowing are of particular significance as interest rates continue at excessive levels.

Productive activity in most parts of the group is reasonable although in certain areas order books are short. Home trade retail sales are poor and markets overseas yield diminished returns as selling prices suffer the combined effect of a strong pound and high wage settlements in the UK.

Half-yearly earnings per 25p share dropped from 9.6p to 8.1p, but the net interim dividend is held at 2.82p—payments last time totalled 7.42p on pre-tax profits of £2.82m.

Tax for the period took £658,000 (£781,000) giving net profits down from £721,000 to £608,000. Last time, a temporary employment subsidy and profit on sale of fixed assets yielded £74,000, after tax, which left profits at £795,000 (10.6p earnings per share).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Albion, Edinburgh American Assets Trust, Eucalyptus Pulp Mills, Moorside Trust.

Finals: Investment Company, McLeod Russel, Sekers International, Steinberg, S. W. Wood.

FUTURE DATES

Interims—	
C.S.C. Investment Trust	July 28
Ford (Martin)	July 31
Grindlays Holdings	July 29
Hirst and Mallinson	July 31
Royal Insurance	Aug. 13
Weber	July 30
Finals—	
Brady Industries	July 29
Dixons Photographic	July 31
Ellis and Everard	Aug. 4
F.M.C.	Aug. 5
Hillards	Aug. 5
Monk (A.)	†July 25
Stavert Zigomala	July 30

† Corrected.

Arlington finishes year 10% ahead at £1.45m

ALTHOUGH second-half profits of Arlington Motor Holdings dropped to £407,000 against £620,000, the figure for the full year, ended March 31, 1980, came out ahead from £1.32m to £1.45m. Turnover rose by £13.8m to £64.3m.

At the interim stage profits had advanced to £1.05m (£697,000), and the directors said the second half would be affected by high interest rates, although the company's various sources of finance should mitigate the major impact of the new rates. Overall they looked forward to a satisfactory year.

Full year interest charge increased from £663,000 to £987,000.

Earnings per 25p share are shown as 21.3p (23.9p), after a tax charge of £538,000 (£333,000) left net profits behind at £916,000, against £984,000.

Pre-tax figure included share of Arlington Motor Finance of £18,000 (£23,000).

The dividend is maintained at 9p net with an unchanged final payment of 6.5p.

The directors say that their policy of broadening activities "has again stood us in good stead."

Profit contributions from the Northampton car auction and from sales of motor coaches have shown a significant increase. And sales of VW/Audi and Mercedes Benz cars, petrol sales, and aluminium and general materials stockists, also produced increased profit.

They state that the group's activity spread is helping it to ride the current recession in Arlington's sector of industry "but the future has never been more difficult to read."

● comment

Arlington's figures, showing a slump in second-half profits of a third, reflect the immense problems facing motor distributors. The weakness of the new car market is well known and as a late-comer—cars only account for 21 per cent of sales—Arlington lacks substantial fleet business. Trucks and vans—43 per cent of turnover—were hit by the delayed launch of Leyland's new range and supply problems from Bedford and, of course, demand is weak. Bus and coach sales were reasonable, mainly because of a quirk in deliveries which brought profits into last year from the previous 12 months. Again the underlying market is weak. Interest costs have taken their toll despite a £1m cut in short-term debt by the year-end and trading profits only covered charges 2½ times. Since March borrowings have been trimmed by a further £1m, thanks to cutbacks in stocks—there are so many new vehicles slopping around the network that supply is little problem—and two garages are likely to be sold. By December a new Leyland stock financing scheme should ease some of the financing burden. The one bright spot in the gloom is Northampton Car Auctions, acquired February 1979. That probably chipped in £350,000 to profits and not surprisingly Arlington is searching for another auction business. The current year has got off to a poor start and profits will be much lower. The prop at 95p is the 14¼ per cent yield, covered over 2 times.

ICI CONVERSIONS

Imperial Chemical Industries reports that holders of a further 3,259 $1,000 6¾ per cent convertible guaranteed bonds 1997 have exercised their right of conversion into ICI ordinary stock. Number of bonds now outstanding is 38,804, representing $38.8m.

Wheeler's declines to £0.36m

Higher wages and a decline in the number of customers have, as forecast, brought a substantial reduction in pre-tax profits of Wheeler's Restaurants, down from £767,000 to £359,271 for the year to March 31, 1980.

A reasonable start has been made to the current year, says Mr. Bernard Walsh, chairman, and the group is working hard to maintain its present level of trading.

The largest single factor affecting profits this time was a 33 per cent increase in wages, he adds. The strong pound meant fewer overseas visitors to London, particularly from the U.S., and this, coupled with the increase in VAT, led to a drop in the number of customers served.

He points out that VAT and service charges now account for 26.5 per cent of every customer's bill.

Turnover of the group, which operates 13 fish and oyster restaurants in London and Brighton, was £6.82m (£6.16m).

Tax took £165,460 (£311,683) and minorities £2,695 (£8,217), leaving an attributable surplus of £191,116 (£447,660).

The dividend is maintained at 5.88p net with a final of 4.33p and again absorbs £88,200.

Eurotherm falls to £930,000

Despite sales rising by £1.47m to £11.6m, taxable profits of electronic equipment maker Eurotherm International fell from £1.15m to £0.93m in the six months to April 30, 1980.

The directors, who forecast further satisfactory progress following good results last year, say that although sales increased by 14.6 per cent in the six months, costs rose faster and high interest rates and the strength of sterling have continued.

Moreover, they say, two special factors had a significant impact on the first half profits: a substantial loss in France, and production shortfalls in the UK and USA after moving factories and introducing new products.

Production is now at satisfactory levels and operations in France have been re-organised. On June 24 the loss-making domestic electric heating division in that country was sold; profits are now being earned and there are expectations of significant further improvement.

The second half of the company's trading year has been entered with a substantial order backlog and the directors believe this period will yield results comparable to those of the same period last year.

Tax charged for the six months showed a drop from £475,000 to £290,000 and attributable profit fell to £633,000 from £665,000. There was an exchange loss of £84,000, compared with a loss of £120,000 for the corresponding months.

The interim dividend is a same-again 1.5p net, and earnings per share are shown as 5.54p (5.82p).

Last year a total dividend of 4.5p was paid on taxable profits of £2.92m.

The directors are continuing their investment programme with an eye to future growth.

A 75 per cent stake has been taken in a new company, Energy Technology and Control Limited, which will manufacture a range of control systems for more efficient use of fossil-fuelled commercial and industrial boilers and furnaces.

● comment

After marching Eurotherm up to the top of the hill, the market has decided to march it down again. From Monday's high of 380p, the shares tumbled 60p yesterday. With the board signposting what looks like a conservative estimate of maintained second half profits, the full-year result would be £2.7m, against £2.9m, giving a prospective p/e of almost 20 assuming a repetition of first-half tax rates. There are three principal contributors to the hiccough in profits. French operations slipped from last year's first-half break-even to a £165,000 loss. The trouble-maker has now been sold. The concentration of UK Eurotherm division activities from three factories into one proved unexpectedly troublesome. A longer-term concern is the U.S., where Chessell is feeling fierce competition. The plan is to fatten margins by progressively switching its sourcing from UK to indigenous components. Overall, it will be a creditable performance for Eurotherm to creep towards maintained profits this year. But the market's glamour rating—the yield is a nominal 2 per cent—is discounting substantial growth. With balance sheet gearing still around 65 per cent, and the continuing investment demands of technological progress, there might seem to be respectable grounds for a rights issue.

Gillett Bros. interim unchanged

THE INTERIM dividend of Gillett Brothers Discount Company, discount house, is unchanged at 7p net per £1 share, and the group has traded profitably for the first six months of the January 31, 1981 year, in contrast, the directors say, to the exceptionally difficult trading period last time.

And they expect that with declining interest rates, this trend will continue.

For the whole of the 1979-80 year profit, after tax and transfer from contingencies, came out at £110,666, and the dividends paid totalled 10.5p.

Benjamin Priest profit improves to £3.18m

Pre-tax profits of Benjamin Priest and Sons (Holdings), engineering group, moved ahead from £2.62m to £3.18m for the year ended March 28, 1980, and were struck after much higher interest of £928,907, against £223,098. Turnover was boosted by £21m to £49.9m.

Second half profit contribution rose to £1.97m (£1.67m) in spite of a severe disruption to trade in the latter stages because of the steel strike, the directors state.

The group has experienced harsh trading conditions during the first four months of the current year, with general levels of demand falling sharply, and the directors say it is very difficult to make a forecast for the short term.

Looking ahead they state that the group is well positioned in terms of management and financial strength, and is confident about the growth opportunities that will exist when economic conditions become more favourable.

There was a full year's contribution from Warne Wright and Rowland in 1979-80, comparative results including four months' figures since the company's acquisition.

Group earnings per 25p share are shown as 13.6p (17.67p) on a net basis—after writing off ACT of £443,903—and as 16.22p on a nil distribution basis.

The dividend is stepped up to 6.794p net, compared with 6.094p, with a final payment of 5.1p.

Tax took £878,077 (£534,030), and there was an extraordinary debit of £281,806. After dividends of £1.15m against £717,753, the amount retained was lower at £869,062 (£1.36m).

The extraordinary item was due to the termination of container manufacturing and prefabricated housing operations at S. Taylor and Co., and included a provision for the planned reorganisation of an associate.

Net assets per share, as at March 28, are given as 108p (104.7p).

Bootham dips at half way

A DROP from £317,115 to £227,599 in pre-tax profits is reported by Bootham Engineers, specialised mechanical engineer and garage proprietor, for the six months to April 30, 1980.

Turnover advanced from £3.37m to £3.95m.

After tax, down from £128,776 to £40,649, stated earnings per £1 share are slightly lower at 18.3p compared with 18.6p. The interim dividend is unchanged at 5.5p—last year's total was 11.5p from pre-tax profits of £795,000.

Aeronautical & General

WITH TURNOVER up from £3.26m to £5.01m taxable profits of Aeronautical and General Instruments increased by £163,002 to £500,956 in the year to March 31, 1980.

At midyear the group, whose main activities include the design, development and manufacture of reconnaissance systems and general optics, marine systems and telecommunication products and leasing of equipment, made a surplus of £212,664 and the directors expected the improved trading position to be maintained in the second six months.

For the current year significant orders have been obtained in both telecommunications and defence markets. The company has a substantial order book which should ensure a continued rise in turnover and profitability in the foreseeable future, the directors say.

Tax charged for the past year showed a drop from £79,853 to £36,876, leaving earnings per 25p share of 28.72p, compared with 15.84p.

A dividend of 3.5p net is being paid against 2.8p.

SPAIN

July 22	Price %	+ or —
Banco Bilbao	224	
Banco Central	246	
Banco Exterior	210	
Banco Hispano	224	
Banco Ind. Cat.	120	
Banco Madrid	141	
Banco Santander	276	
Banco Urquijo	144	+4
Banco Vizcaya	236	
Banco Zaragoza	215	
Dragados	83	
Espanola Zinc	59	
Fecsa	60.7	+0.2
Gal. Preciados	24	+0.3
Hidrola	61.2	−3.8
Iberduero	61.2	−0.5
Petroleos	116.5	+1.5
Petroliber	85	
Sogefisa	107	
Telefonica	63	+2
Union Elect.	65.7	+0.7

Marinex allotments

Marinex Petroleum, the new oil exploration company which is to receive a listing under Rule 163(iii), has had its issue of 5.4m ordinary shares oversubscribed by at least one and a half times. Application lists for the offer closed yesterday morning and the company raised £8.6m on the sale at £1.60 per share.

Under the basis for allotment, applications for 20,000 shares or less were fully supplied, applications for between 30,000 and 110,000 were 75 per cent filled and applications for 150,000 shares or more were 55 per cent supplied.

Today's company meetings

Airflow Streamlines, Saxon Hill, Motor Hill, Silver Street, Northampton, 12. Andersons Rubber, St. John Street, Bedminster, Bristol, 10.30. E. Austin (London), Winchester House, London Wall, EC, 12. Bischi Tin, Clement House, 99, Aldwych, WC, 12. Britain and Commonwealth Shipping, Baltic Exchange Chambers, St. Mary Axe, EC, 12. Brown Shipley, Founders Court, 2, Moorgate, EC, 12.30. Caledonia Investments, Cayzer House, 2, St. Mary Axe, 3. De La Rue, Cafe Royal, Regent Street, W., 11.30. English and International Trust, 117 Old Broad Street, EC, 12.15. Ferranti, Millbank Tower, Millbank, 12.15. GEI, Savoy Hotel, Strand, WC, 12. Keyser Ullmann, 25 Milk Street, EC, 12. MK Electric, Chartered Accountants Hall, Moorgate Place, EC 12. Monks Investment Trust, Great Eastern Hotel, Liverpool Street, EC, 10. Plysu, Winchester House, 100, Old Broad Street, EC, 12. Scottish European Investments, 45, Charlotte Square, Edinburgh, 2.30. Staveley, Royal Institute of Chartered Surveyors, 12, Great George Street, SW, 12. United Kingdom Property, 16, Hans Road, SW, 10. WGI, Alderley Road, Wilmslow, Cheshire, 12.

BIDS AND DEALS

Mercantile House rights to help U.S. purchase

Mercantile House Holdings, the money broking and financial services group is raising £2.5m through a rights issue of one new share at 220p for every five held. The proceeds will be used to help finance the purchase of four U.S. companies, which together will cost $11.5m (£4.84m).

Mercantile, which gained a quotation only a year ago, makes no dividend or profit forecast for the current year but says that "a satisfactory start to the year has been made." In the 12 months to April 1980, the group's pre-tax profits rose from £2.6m to £3.5m.

Mr. John Barkshire, the chairman, said yesterday that the group had considered both a rights issue and a placing but had decided on the former so that shareholders could maintain their percentage holdings.

The company said that the issue was designed to maintain an appropriate balance between equity capital and borrowed funds. The balance of payments for the U.S. companies will be met from its own cash resources and from dollar bank facility.

Mercantile announced at the end of April that it was planning to buy three New York financial brokerage companies and a Chicago commodity and financial futures broker.

The new shares will not rank for the final dividend of 8.5p declared for the year to April 30, 1980. The rights issue is subject to shareholders' approval of the U.S. acquisitions at an extraordinary meeting on August 14. Shareholders will also be asked to approve an increase in the authorised capital of the company.

The offer, which is being underwritten by S. G. Warburg, closes on September 5. Brokers to the issue are Cazenove and Co.

• comment

The market had been expecting a rights issue by Mercantile to help pay for its U.S. acquisitions, even though the company is not in desperate need of cash. It is paying around £3.6m for the three Cabot subsidiaries and the present indication is that they will make at least half that much this year, even after management charges. Yet Mercantile is benefiting from a share price which has more than doubled over the last few months, though it has come off a little from the recent high of 295p. Yesterday, it rose 3p to 271p. The group is also anxious to keep its balance sheet in strong condition since it has ambitious plans for the financial futures operations of Woodstock, the Chicago company. Mercantile could easily make £5m pre-tax this year which, on an ex-rights price of 262p, produces a fully-taxed multiple of 7.7.

JOHN MOWLEM

The contract for John Mowlem's acquisition of Soiltest Inc. is now unconditional, although the exact cash purchase price still has to be determined, based on the actual accounts of Soiltest to June 30, 1980.

R-R rejects Australian group

Entrepreneur Mr. Robert Holmes a Court threw his hat into the Rolls-Royce Motors Holdings-Vickers merger ring yesterday with an announcement that his company, The Bell Group, would bid 85p in cash for 25 per cent of Rolls-Royce if the merger with Vickers does not go through.

Rolls-Royce countered the move with an immediate and unwelcoming reply to this latest development. "The board of Rolls-Royce Motors, who have not been approached directly by The Bell Group, sees no advantage in the proposal for the company, its shareholders or employees, and in the circumstances will not permit registration of shares acquired by The Bell Group."

"I first learnt of the proposed deal at 11 am through an Australian Press agency," said Mr. David Plastow, Rolls-Royce's group managing director.

The offer is conditional on Rolls-Royce shareholders rejecting the Vickers bid, and on agreement being reached with Rolls-Royce to enable The Bell Group to become a shareholder under discretionary provisions of Rolls-Royce articles of association as they affect foreign ownership.

Mr. Plastow said yesterday that he regarded that foreign control and significant influence of the Rolls-Royce group would be reached if the Australian group acquired over 15 per cent. "Over that level a stake would be wholly unacceptable."

The Bell Group, whose interests take in transport, TV, and newspapers, said in Australia that it has at its disposal sufficient funds in Australian currency to make the proposed conditional partial offer, and has the formal agreement of the Reserve Bank of Australia to do so.

Mr. Holmes a Court added that the company wanted to acquire a 25 per cent interest as a long-term investment in Rolls-Royce Motors which would remain a separate and independent entity under its existing management and control.

The Bell Group would prefer to hold such an investment in the existing Rolls-Royce company than in the proposed Rolls-Royce Vickers group.

"Bell is seeking less than a controlling interest in Rolls-Royce so that the company can remain British in nature and control, and maintain its existing traditions, and can ensure the use of the continuation of the Rolls-Royce name and associated trade marks."

Bell has been a buyer of Rolls-Royce shares and has acquired a 3.5 per cent stake. So far, Rolls-Royce is aware that Mr. Holmes a Court has acquired 50,000 shares but intends to block the increase of the stake to 3.5 per cent by preventing registration.

"It is a cardinal principle of Rolls-Royce Motors that it remains under British control," said the Rolls board, "since otherwise it would lose the right to use the name "Rolls Royce and the use of associated trade marks."

It added that it believed that the merger with Vickers is in the best interests of shareholders and employees.

MINING NEWS

More new coal developments

BY KENNETH MARSTON, MINING EDITOR

THROUGHOUT THE world new coal development is proceeding apace in the general move to reduce dependence on energy from oil. Among the latest news, the Alberta Energy Resources Conservation Board has approved an application by Union Oil of Canada (a subsidiary of Union Oil of California) and Rescon Coal Holdings for a permit to mine a big thermal coal deposit near Hinton.

Union says that the property has sufficient reserves to produce 3m clean tonnes per year of saleable coal for 40 years. The capital cost of bringing a mine to production at this rate is put at C$155m (£65m) while an additional expenditure of some C$240m would be required during the life of the operation.

A smaller operation in Wyoming has attracted the interest of the French State coal authority, Charbonnages de France (CDF). The latter has been authorised to acquire a 30 per cent stake in Frontier-Coal, a subsidiary of the French State-controlled Cie. Francaise des Petroles (CFP) oil group.

Frontier-Coal has a half interest in an open-cast coal mine in Wyoming which has an estimated reserve of 15m tonnes of steam coal. Production is due to commence at the property next year and CDF will receive two million tonnes annually, starting in 1982.

The capital outlay for CDF will be Frs 5.3m (£550,000) and will be arranged by the latter's international unit, Charbonnages de France International (CFDI).

CFDI has also been given the go-ahead to acquire a one-third stake in the Frs 300,000 capital of Interchar SA, a company in the process of being set up in Colombia. It is envisaged that Interchar's capital will be shared by three French companies, CFDI, Minersa (an offshoot of the French Atomic Energy Agency) and CFP.

Interchar will be instrumental in an agreement being negotiated between America's Atlantic Richfield group and the Colombian coal concern, Carbocol, involving the establishment of a coal mine in the Cerrejon basin of Colombia.

Decline in gold output at Peko

GOLD PRODUCTION of Peko Wallsend, the Australian mining and industrial group, in the year to June 30 fell by almost 6 per cent. The group said yesterday that output from its Tennant Creek, Mount Morgan and Mount Chalmers mines fell to 135,268 ounces from the previous year's 143,670 ounces.

Copper output from the same three mines rose during the year to 11,246 tonnes from 6,670 tonnes in 1978-79, while production of tungstic oxide from the King Island Mine reached 258,238 tonnes compared with 220,200.

Peko pointed out that at Tennant Creek, in the Northern Territory, production of copper/gold ore from the Warrego Mine and of copper ore from the Gecko Mine is being increased with the aim of bringing both operations into full production during the second half of the year, when the smelter there will be recommissioned.

The increased output from Warrego and the combination of the two ore sources resulted in lower gold grades per tonne of ore mined, Peko added. Details of the grades were not released. The shares closed down 15p at 405p last night.

Meanwhile, the Chamber of Mines of South Africa has reported a fall of 4 per cent in the country's gold production so far this year. South African mines have produced 10.86m ounces this year, compared with 11.31m ounces by the same stage of 1979.

For the month of June, gold production was 1.82m ounces, against 1.85m in May and 1.88m in June last year.

COOPER BASIN OIL/GAS NEWS

The Dullingari Murta No. 1 well in South Australia's Cooper Basin has been completed as an oil producer from the lower cretaceous-upper-jurassic sands.

Upon completion the well was flowed to clean-up at a rate of 427 barrels of 54 degree API oil a day at a surface pressure ranging between 25 and 35 psi. Production testing will be carried out during the next few weeks.

The Dullingari Murta No. 1 is the first of four wells planned to determine the possible extensions of the Dullingari jurassic oil accumulation first discovered in 1978 in the Strzlechi No. 1 well. The drilling rig was released on July 17 and is being moved to the next well Dullingari Murta No. 2 which will be spudded early next week.

Santos has a 50 per cent interest in the well, Delhi Petroleum, the operator, 30 per cent, Vamgas, 10 per cent and South Australian Oil and Gas Corporation 10 per cent.

Meanwhile another Cooper Basin well, the Della No. 10 development well, flowed gas at a rate of 11.7m cu ft a day at a surface pressure of 2,110 psi following a drill stem test of the interval 6,557 to 6,612 feet. The well is now being deepened to evaluate the lower permian formation.

Target depth of Della No. 10 is 6,770 ft. Santos' interest in Della No. 10 is 35 per cent, while Delhi owns 21 per cent, South Australian Oil and Gas 7 per cent, Vamgas 7 per cent and Crusader Oil 30 per cent.

MALTON WELL SPUDDED-IN

The consortium that drilled the disappointing Lockton East No. 1 well in Yorkshire have spudded (commenced drilling) the Malton No. 3 well on licence PL 080(A), located around 6 kilometres north-north-west of Malton in Yorkshire.

Target depth is approximately 1,722 metres (5,250 feet) and the drilling operations are being carried out by Bolden Drilling.

The consortium comprises Taylor Woodrow Energy, operator, with 14.25 per cent, Candecca Resources, with 49 per cent, RTZ Oil and Gas, 14.25 per cent, Haoma North West Mining (UK), 13 per cent and James Finlay and Co., 9.5 per cent.

'Dawn raid' for Gough Cooper

BY ALAN FRIEDMAN

IN ANOTHER of the increasingly common "dawn raids" in the Stock Exchange, a private investment company has acquired a 29.5 per cent holding in Gough Cooper, the housing estate developer and contractor.

Starwest Investment Holdings, which is based in Epsom and has interests in househuilding and light engineering, paid £2.2m yesterday morning for 2.3m ordinary shares in Gough Cooper. The price of 95p per share amounted to a 20 per cent premium on the pre-raid price of 76p.

The purchase was completed in 30 minutes by stockbrokers Capel-Cure Myers, acting on instructions from Tring Hall Securities, financial advisers to Starwest. Mr. John Woolgar, a director of Tring Hall, said yesterday the Starwest holding would be a long-term investment.

"There is no question of Starwest having any plans to bid for the company at the present time," he said. Mr. Woolgar added, however, that Starwest may be able to offer "material assistance" to the househuilder in the future. Gough Cooper disclosed a fall to a pre-tax loss of £655,000 when interim results were announced on July 4.

A spokesman for Hill Samuel, Gough Cooper's merchant banker, characterised the Starwest raid as "unwelcome." Mr. Remo Dipre, chairman of Starwest, met Mr. John Boardman, chairman of Gough Cooper, yesterday and indicated that he saw the holding as a trading investment. The question of boardroom representation was discussed, but no decision was taken.

Mr. Dipre was involved in an unsuccessful bid attempt in 1978 by Starwest for Trident Printers after more than half of Trident shareholders rejected the offer.

Shares in Gough Cooper, which had earlier fallen as a result of the interim losses, yesterday moved up 12p to 88p after the news of the 95p per share purchase by Starwest.

ANCHOR CHEMICAL ACQUIRES ANCOMER

The Boards of Anchor Chemical Group and Sartomer Industrites Inc. have reached conditional agreement whereby Anchor will acquire Sartomer's 50 per cent interest in Ancomer Limited.

Ancomer was formed in 1974 as a joint company between the two to manufacture in the UK and market a range of acrylic monomers produced by Sartomer in the U.S.

In the 12 months to the end of December 1979 its taxable profits were £114,650 and shareholders' funds amounted to £495,765.

Consideration payable by Anchor is £250,000, to be satisfied by payment on completion of £62,500 and three annual instalments of £62,500.

Deferred element of consideration will bear interest at 1½ per cent over the base rate of National Westminster Bank, payable annually.

In addition, after completion, Anchor will procure repayment to Sartomer by Ancomer of a £50,000 debenture.

Mr. H. K. Justi, who has resigned as chairman of Anchor, but who continues as a non-executive director, is chief executive and a shareholders in Sartomer, which in turn has an 18 per cent interest in the ordinary share capital of Anchor.

NO PROBES

The following mergers are not being referred to the Monopolies and Mergers Commission.

Acquisition by Consolidated Gold Fields of Skytop Brewster, King Oil Tools Inc., Mechanical Seal and Service Inc., and Pneumatic Electrical Equipment (London) from Texas International, Dobson Park Industries and Wolf Electric Tools (Holdings), British Petroleum and Tensia SA, British Petroleum, and 50 per cent interest in Norzink AS.

News Corporation and News International, Guardian Royal Exchange Assurance and Union South British Insurance, Credit Commercial De France, SA, and Hill Samuel OHG, Frankfurt, Kuwait Investment Office and Proprietors of Hays Wharf, SKW Trostberg AG and Murex and Anglo Blackwells (subsidiaries of BOC).

JOINT POSTER COMPANY

Churchills and Longmans, two of London's oldest poster companies, have formed a joint supersite development and marketing consortium.

The new company is called Longchurch and carries a board of directors from both participating companies.

LAIRD HOTELS

Laird Hotels, a subsidiary of Laird Group, has acquired the capital of Intercontinental Air Caterers (Gatwick), which specialises in catering for airlines and has facilities at Gatwick, Newcastle, Bristol and Teesside airports and also at Tegel, Berlin.

It is intended to develop the business of Intercontinental Air Caterers in conjunction with the other catering activities of Laird Hotels.

McALPINE/PRESS

Sir Robert McAlpine and Sons (CTI) has increased its holding in fellow contractor William Press & Son from 5.58 per cent to 6.75 per cent of the capital.

Through its subsidiary Colguy Holdings, McAlpine has acquired a further 1.4m shares taking the stake up to 8.07m. McAlpine is a principal subsidiary of Newarthill.

Ibstock to fight U.S. suit

Ibstock Johnsen, the UK brick manufacturer whose £10m ($21m) acquisition of Glen-Gery of Pennsylvania has been challenged by a U.S. Justice Department anti-trust suit, vowed yesterday to fight the action.

"If the Department of Justice persists with the anti-trust suit we will oppose it vigorously," said Mr. Paul Hyde-Thomson, chairman of Ibstock Johnsen. And he added. "We believe it has no basis whatsoever as we do not consider we are in breach of the official guidelines.

"Virtually all acquisitions in the U.S. are subject to some sort of anti-trust investigations to establish whether the new group is, in the eyes of the U.S. Government, of a size likely to limit competition. This action, although unusually delayed—it is now almost a year since completion of the acquisiton of Glen-Gery—is not exceptional and we do not anticipate it will result in any material disability to our U.S. operation."

The suit asks Ibstock Johnsen to divest itself of its interest in Glen-Gery, claiming that the takeover violates the Clayton Act, which prohibits anti-competitive mergers. Both Glen-Gery and Ibstock Johnsen, through its ownership of the Marion Brick Company, of Marion, Ohio, are major manufacturers of facing brick and the complaint alleges that the acquisition has eliminated competition between Glen-Gery and Marion Brick.

KIO HAS 36% OF HAY'S WHARF

The Kuwait Investment Office yesterday purchased 725,000 ordinary shares in The Proprietors of Hay's Wharf, bringing its shareholding in the group up to 36 per cent.

A statement from Cazenove & Co said that the KIO had paid 250p for the shares, the price which it is offering for the 67.3 per cent of Hay's Wharf equity it does not already own. Hay's Wharf rejected the KIO offer on Monday as being "opportunistic and inadaquate."

Hay's Wharf shares were requoted yesterday after a one-week suspension and closed at 251p.

The Kuwait Investment Office has made two more substantial purchases of shares. It has acquired 50,000 shares in Lake View Investment Trust bringing its total holding to 2.76m shares (6.14 per cent) and increased its stake in Muirhead to 6.7 per cent by buying a further 150,000 shares.

CURRENCIES, MONEY and GOLD

£ very strong

Sterling rose to its highest level for several years in the foreign exchange market yesterday. Its trade-weighted index, as calculated by the Bank of England, finished at the highest point since March, 1976, rising to 74.8 from 74.7, after standing at 74.7 at noon and in the morning. In terms of the dollar, the pound closed at the best level since April, 1975, rising 75 points to $2.3875-2.3885. Sterling opened at $2.3805-2.3815, and eased to $2.3800-2.3810, but then rose steadily, reaching $2.3850 by mid-afternoon. Late demand continued to push pound up, and it touched a peak of $2.3905-2.3915.

The dollar remained soft in quiet trading, moving within a very narrow range against most major currencies. The lower trend in U.S. interest rates continued to dominate sentiment, with the U.S. currency falling to DM 1.7385 from DM 1.7415 against the Deutsche Mark and to SwFr 1.5970 from SwFr 1.6020 against the Swiss franc. On Bank of England figures the dollar's index was unchanged at 83.1.

D-MARK — Slightly weaker within the European Monetary System recently, but showing a firmer tendency against the dollar following a sharp narrowing of interest rate differentials —The D-mark was generally slightly easier at the Frankfurt fixing, but continued to advance against the weak dollar. Trading was very quiet, however, and the Bundesbank did not intervene at the fixing or to any significant extent on the open market. The downward trend in U.S. interest prime lending rates and lower yields at Monday' Treasury bill auction, pushed the dollar down to DM1.7365 from DM1.7407 at the fixing. Sterling rose to DM 4.1370 from DM4.1350, and the Swiss franc to DM1.0892 from DM 1.0890. Within the EMS the French franc improved slightly to DM 43.07 per 100 francs from DM 43.06, and the lira to DM 2.101 per 1,000 lira from DM 2.100, while the Dutch guilder eased to DM 91.34 per 100 guilders from DM 91.3750.

ITALIAN LIRA—Still the weakest currency within the EMS, but showing a steadier tendency following the early July support package—The lira remained steady in calm trading in Milan as a result of the effects of the Bank of Italy's tight monetary policy. The dollar fell to L826.55 from L828.55 at the fixing, while sterling was unchanged at L1,969.80. Within the EMS the D-mark, guilder and Danish krone declined against the lira, but the French and Belgian francs were firmer.

DANISH KRONE—Showing a steadier tendency within the EMS recently, following an improvement in Denmark's trade deficit. The currency was devalued twice in 1979 — The krone showed no particular trend at the Copenhagen fixing, and there has been little reaction so far this week to the lower than expected trade deficit in May. Among EMS members the D-mark fell to DKr 3.0985 from DKr 3.0988, and the Dutch guilder to DKr 2.8313 from DKr 2.8335, while the French franc rose to DKr 1.3355 from DKr 1.3335, and the Irish punt to DKr 11.65 from DKr 11.64.

JAPANESE YEN — Steady in recent weeks after showing a marked recovery on the downward trend in U.S. rates. Last year fears about energy supplies and balance of payments problems severely depressed the currency—The yen showed little change in quiet Tokyo trading. The dollar rose slightly to Y220.15 from Y219.86, after opening at Y220.00. Movements were within a very narrow range of Y219.80 to Y220.20.

THE POUND SPOT AND FORWARD

July 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3800-2.3915	2.3875-2.3885	1.73-1.63c pm	8.44	3.75-3.65 pm	8.20
Canada	2.7425-2.7560	2.7525-2.7535	1.55-1.45c pm	6.54	3.30-3.20 pm	4.72
Nethlnd.	4.51-4.55½	4.53¾-4.54¾	3-2c pm	8.60	8⅝-8⅝ pm	5.39
Belgium	66.10-66.50	66.30-66.40	19-0c pm	2.53	45-35 pm	2.41
Denmark	12.80-12.88	12.83¼-12.84¼	⅛-1½ore dis	−0.70	7⅞-8⅞ dis	−2.53
Ireland	1.1010-1.1050	1.1035-1.1045	0.06-0.02p pm	0.38	0.22-0.17 pm	0.71
W. Ger.	4.13-4.18	4.14½-4.15½	3¾-2¾pf pm	8.31	7½-6½ pm	8.63
Portugal	116.90-118.50	118.15-118.35	12c pm-14 dis	−0.10	14-62 dis	−1.65
Spain	168.85-169.45	169.15-169.25	92-144c dis	−8.37	340-416 dis	−8.96
Italy	1,967-1,976	1,973¼-1,974¼	3¼-5¼lire dis	−2.58	28¼-31¼ dis	−6.03
Norway	11.41-11.47	11.44½-11.45½	7⅞-6½ore pm	7.27	16¼-14¼ pm	5.41
France	9.59-9.65	9.63-9.64	4½-3½c pm	4.98	9-8 pm	3.53
Sweden	9.78-9.83	9.81-9.82	3¼-2½ore pm	3.81	3⅝-2⅞ pm	1.25
Japan	522-530	527½-528½	2.00-1.75y pm	4.26	3.95-3.70 pm	2.90
Austria	29.32-29.52	29.43-29.48	16-14gro pm	8.11	34-29 pm	4.28
Switz.	3.79-3.83	3.81-3.82	4½-3½c pm	12.58	10¼-9¼ pm	10.22

Belgian rate is for convertible francs. Financial franc 66.85-66.95. Six-month forward dollar 5.72-5.62c pm. 12-month 7.55-7.45c pm.

THE DOLLAR SPOT AND FORWARD

July 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3800-2.3915	2.3875-2.3885	1.73-1.63c pm	8.44	3.75-3.65 pm	8.20
Ireland†	2.1600-2.1630	2.1605-2.1620	1.60-1.50c pm	8.60	3.80-3.50 pm	6.57
Canada	1.1524-1.1537	1.1525-1.1528	0.19-0.22c dis	−2.13	0.45-0.49dis	−1.63
Nethlnd.	1.9002-1.9035	1.9020-1.9035	0.20-0.25c dis	−1.42	0.35-0.40dis	−0.79
Belgium	27.77-27.86	27.77-27.79	11-12½c dis	−5.04	25-27½ dis	−3.76
Denmark	5.3750-5.3795	5.3760-5.3775	3¾-4¾ore dis	−8.93	11½-12 dis	−8.74
W. Ger.	1.7360-1.7395	1.7360-1.7370	0.02-0.06pf dis	−0.28	0.19-0.14 pm	0.38
Portugal	48.65-48.77	48.67-48.77	30-40c dis	−8.62	70-110 dis	−7.39
Spain	70.90-71.00	70.90-70.95	90-110c dis	−18.92	260-285dis	−16.37
Italy	826.30-827.00	826.45-826.85	7¼-8¼lire dis	−11.25	24¾-27 dis	−12.52
Norway	4.7925-4.7980	4.7925-4.7940	0.25-0.75ore dis	−1.25	0.90-1.40dis	−0.96
France	4.0300-4.0355	4.0340-4.0355	1.08-1.18c dis	−3.38	2.67-2.82dis	−2.72
Sweden	4.1065-4.1095	4.1078-4.1088	1.65-1.85ore dis	−5.11	5.10-5.30dis	−5.06
Japan	220.05-221.05	220.85-220.95	0.70-0.85y dis	−4.21	1.65-1.80dis	−3.12
Austria	12.31¼-12.33¼	12.32-12.33	2.20-2.80gro dis	−2.43	5.00-6.75dis	−1.91
Switz.	1.5920-1.5980	1.5965-1.5975	0.55-0.50c pm	3.94	1.63-1.58 pm	4.02

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

July 22	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.8	−31.6
U.S. dollar	83.1	−10.4
Canadian dollar	81.4	−16.4
Austrian schilling	158.2	+24.2
Belgian franc	116.6	+14.6
Danish kroner	108.3	−5.5
Deutsche mark	158.7	+44.8
Swiss franc	201.1	+81.0
Guilder	196.3	+20.0
French franc	102.6	−5.9
Lira	65.4	−51.3
Yen	197.8	+26.8

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

July 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	16	0.559995	0.607917
U.S. $	11	1.55004	1.44623
Canadian $	10.55	1.55580	1.66635
Austria Sch.	6¾	16.4220	17.8465
Belgium F	15	Unavail.	40.2652
Danish K	15	7.16550	7.78942
D'mark	7½	9.51590	2.51672
Guilder	0	9.63430	2.75204
French Fr.	9½	5.57802	5.84278
Lira	15	1101.94	1107.84
Yen	9	292.545	317.694
Norwgn. Kr.	0	6.39889	8.94626
Spanish Pts.	8	94.2353	102.558
Swedish Kr.	10	6.47844	5.94858
Swiss Fr.	3	2.19873	2.51296

OTHER CURRENCIES

July 22	£	$		£ Note Rates
Argentina Peso	4454-4474	1870-1877	Austria	20.15-29.45
Australia Dollar	2.0510-2.0550	0.8610-0.8615	Belgium	66.95-66.85
Brazil Cruzeiro	126.27-127.27	65.11-53.31	Denmark	12.75-12.64
Finland Markka	8.56-8.57	3.6040-3.5955	France	9.54-0.61
Greek Drachma	101.200-103.549	49.50-42.60	Germany	4.12-4.15
Hong Kong Dollar	11.69-11.71½	4.9065-4.2115	Italy	1950-1986
Iran Rial	n a	n a	Japan	524-520
Kuwait Dinar (KD)	0.652-0.638	0.2666-0.2667	Netherlands	4.50½-4.53½
Luxembourg Frc.	66.30-66.40	27.77-27.70	Norway	11.57-11.45
Malaysia Dollar	5.0960-5.1075	2.1390-9.1410	Portugal	112-115
New Zealand Dlr.	2.4130-2.4180	1.0125-1.0155	Spain	163¼-170¼
Saudi Arab. Riyal	7.87-7.05	3.3100-3.5205	Sweden	2.76-9.82
Singapore Dollar	5.0950-5.0380	9.1095-9.1115	Switzerland	3.79-3.82
Sth. African Rand	1.8210-1.8220	0.7625-0.7630	United States	2.377-2.387
U.A.E. Dirham	8.75-8.81	3.6885-3.6900	Yugoslavia	62½-68

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.2469	+1.15	+0.45	±1.53
Danish Krone	7.72336	7.78860	+0.84	+0.14	±1.64
German D-Mark	2.48208	2.51579	+1.36	+0.66	±1.125
French Franc	5.84700	5.84217	−0.08	−0.78	±1.3557
Dutch Guilder	2.74362	2.75440	+0.39	−0.31	±1.512
Irish Punt	0.668207	0.670262	+0.31	−0.39	±1.668
Italian Lira	1157.79	1197.41	+3.42	+2.82	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 22	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.388	4.150	527.8	9.836	3.815	4.543	1974.	2.753	66.35
U.S. Dollar	0.412	1.	1.738	221.0	4.036	1.608	1.902	828.5	1.153	27.78
Deutschemark	0.241	0.575	1.	127.2	2.322	0.919	1.096	475.6	0.663	15.99
Japanese Yen 1,000	1.895	4.525	7.864	1000.	18.26	7.229	8.607	3740.	5.218	125.7
French Franc 10	1.038	2.478	4.307	547.7	10.	3.960	4.718	2049.	2.857	68.86
Swiss Franc	0.268	0.628	1.088	138.3	2.525	1.	1.191	517.4	0.722	17.39
Dutch Guilder	0.220	0.526	0.914	116.2	2.121	0.840	1.	434.5	0.606	14.81
Italian Lira, 1,000	0.507	1.210	2.103	267.4	4.882	1.933	2.301	1000.	1.395	33.62
Canadian Dollar	0.363	0.867	1.507	191.7	3.500	1.386	1.650	716.8	1.	24.10
Belgian Franc 100	1.507	3.599	6.255	795.4	14.52	5.750	6.846	2976.	4.149	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 22)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 1/4	offer 9 5/8	bid 9 5/16	offer 9 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

July 22	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	17⅜-18	8¼-8⅛	10-12	10-10¼	1-1¼	9½-8⅜	11⅞-19⅛	14-17	—	12-12¼
7 days' notice	17¼-17½	8⅛-8⅝	10-12	10-10¼	2¼-2½	9⅛-9¼	11⅞-12⅛	17-20	8⅞-8⅞	19½-19⅝
Month	16¾-17	8⅝-8⅞	10½-10⅞	10-10¼	4¾-4⅞	9⅛-8⅛	11⅞-12⅛	18¾-81¼	8¾-8⅞	12⅝-12⅝
Three months	15⅝-18⅞	9⅛-9⅝	10⅝-11	10-10¼	6-6⅛	8½-8⅞	11⅞-12⅛	21-22	9¼-9⅝	19¼-12½
Six months	14⅝-14⅝	0⅛-0⅝	10½-10⅞	9⅞-10⅛	5⅛-5⅛	8½-8⅛	11⅞-12⅛	21-22	9¼-9⅝	11¼-11½
One Year	13¼-13½	9½-9¾	10½-10⅞	9¾-10	4⅞-5	7½-8⅛	12-12¼	20-21	9⅝-9¾	0¾-10

Long-term Eurodollar two years 10⅝-10⅝ per cent; three years 10½-10¾ per cent; four years 10⅝-10⅞ per cent; five years 10⅝-11 per cent; nominal closing rate. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore. The following nominal rates were quoted for London dollar certificates of deposit: one-month 8.70-8.80 per cent; three-months 8.70-8.80 per cent; six-months 8.70-8.80 per cent; one year 9.00-9.10 per cent.

INTERNATIONAL MONEY MARKET

Italy nervous

Conditions are very nervous in the Italian money market at present, following the recent weakness of the lira which resulted in Government measures at the end of June to limit the expansion of credit. Market liquidity is generally more than adequate, but the new credit restrictions have led to a severe squeeze as banks attempt to remain within official lending limits. This has created an acute shortage of money for short term periods, despite the fact that seasonal factors such as tourist income have boosted overall liquidity. Heavy tax payments on deposit income is expected to drain money from the market later this month, while the uncertainty about the lira and future interest rate movements has discouraged investment.

The authorities are due to auction L13 trillion in Treasury bills this month, against maturities of only L8.75 trillion, but due to the large size of the offering, and the high cost of finance, demand is expected to be low. Interbank interest rates are around 17½-17¾ per cent, while major banks' prime lending rates rose to 20¼ per cent to 1¼ per cent last week. Yesterday the Italian Banking Association left the official prime rate at 19¼ per cent in response to slowing economic activity, and the expected easing of credit demand.

MONEY RATES

NEW YORK

Prime Rate	11-11½
Fed Funds	8⅝-8⅝
Treasury Bills (13-week)	7.70
Treasury Bills (26-week)	7.80

GERMANY

Discount Rate	7.5
Overnight Rate	9.75
One month	9.70
Three months	9.60
Six months	9.10

FRANCE

Discount Rate	2.5
Overnight Rate	12.00
One month	11.9375
Three months	11.9375
Six months	11.75

JAPAN

Discount Rate	9.0

UK MONEY MARKET

Heavy shortage

Bank of England Minimum Lending Rate 16 per cent (since July 3, 1980)

Day-to-day credit remained in short supply in the London money market yesterday, with conditions particularly severe as far as the discount houses were concerned. The authorities gave assistance on a very large scale by buying a small amount of Treasury bills from the houses and banks, and a small number of local authority bills from the banks. The Bank of England also bought a large amount of eligible bank bills from the houses for resale at a fixed future date and gave a small loan to one or two houses, overnight at Minimum Lending Rate.

Banks brought forward large surplus balances and there was a moderate excess of Government disbursements over revenue payments to the Exchequer. These were outweighed by repayment of the large amount borrowed on Monday.

GOLD

Quiet trading

Gold fell $4 to close at $613-616 in the London bullion market yesterday. The metal also opened at $613-616 and showed very little movement in quiet trading, with no new factors to influence the market. It touched a high point of $614-617 in the morning and afternoon, and fell to a low of $608½-610½ in the afternoon. Gold was fixed at $611.50 in the morning and $613.00 in the afternoon, and showed a slightly firmer tendency in New York after the London market closed.

In Paris the 12½ kilo gold bar was fixed at FFr 80,200 per kilo ($618.51 per ounce) in the afternoon, compared with FFr 81,000 ($625.15) in the morning, and FFr 81,600 ($627.67) Monday afternoon.

In Zurich gold closed at $612-$615, compared with $617-620 previously.

	July 22		July 21	
Gold Bullion (fine ounce)				
Close	$613-616	(£257.5-258.6)	$617-620	(£259¼-260½)
Opening	$613-616	(£256.9-258.2)	$616-610	(£259⅛-260¾)
Morning fixing	$611.50	(£256.542)	$620.75	(£261.291)
Afternoon fixing	$613	(£257.055)	$617.50	(£259.345)
Gold Coins				
Krugerrand	$634½-636½	(£266-268)	$637-630	(£267½-269½)
Mapleleaf	$628½-632½	(£263-265)	$631-635	(£265-268)
New Sovereigns	$158-167	(£66½-56½)	$166½-167½	(£65¾-66¾)
King Sovs.	$185-187	(£77½-78½)	$185-187	(£77½-78½)
Victoria Sovs.	$185-187	(£77½-78½)	$185-187	(£77½-78½)
French 20s	$166-189		$165-168	
50 pesos Mexico	$756-760		$757-769	
100 Cor. Austria	$602½-607½		$610-615	
$20 Eagles	$743-747		$744-748	
$10 Eagles	—		—	
$5 Eagles	—		—	

LONDON MONEY RATES

July 22 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	16-17¾	—	—	—	16¼-17	15½-16	—	—	—
2 days notice	—	—	16¾-17	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	17-17⅛	16¾-17⅛	—	17⅝	17⅞	16	—	—	—
One month	16⅛-16⅛	16⅝-16⅞	16½-16⅞	17¼-17½	17⅛	17⅞-17⅞	16⅜	14⅞-14⅞	16⅝	16⅝
Two months	16¼-18⅛	16¼-18⅜	—	17-17¼	16⅝	—	15⅛-16¼	14⅝-14⅞	16¾	16¼
Three months	15⅝-16½	15⅞-16⅞	16½-16⅞	15⅝-16	18⅛	16¼	14¾	14⅝-14⅞	14⅞	16⅝
Six months	14⅝-14⅞	14⅜-14⅞	14¼-14⅛	14⅛-14⅛	14⅞	15¼	—	—	13⅞-13⅛	13⅞
Nine months	13⅞-13⅞	13⅝-13⅞	—	13⅞-14⅛	14	14¾	—	—	—	—
One Year	13⅞-12⅞	13⅞-13½	13⅛-13⅛	13¼-13½	13¾	14⅛	—	—	—	—
Two years	—	—	13⅛-13⅝	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 13⅞-13⅞ per cent; four years 13⅞-13¼ per cent; five years 13⅞-13⅞ per cent. ◆Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14⅝-14⅝ per cent; four-month trade bills 15⅛ per cent.

Approximate selling rate for one-month Treasury bills 14⅞-14⅞ per cent; two-months 14½ per cent; three-months 14⅞-14½ per cent. Approximate selling rate for one-month bank bills 16⅝ per cent; two-months 15⅝ per cent; three-months 14⅝-14⅞ per cent; one-month trade bills 16½ per cent; two-months 16 per cent and three-months 15⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17 per cent from July 1, 1980. Clearing

NORTH AMERICAN NEWS

Exxon earnings growth slows

BY OUR NEW YORK STAFF

Exxon, the world's largest oil company, saw a rapid but expected tail-off in the pace of its earnings growth in the latest quarter, in part because of a $368m loss on foreign exchange conversions in the period.

The company yesterday reported second quarter net profits of $1.03bn, compared with $830m in the same quarter last year, a 24 per cent increase. Sales rose from $18.6bn to $26.2bn, an increase of 41 per cent.

For the half year, Exxon earned $2.95bn on sales of $53.9bn, against $1.78bn on sales of $37.4bn.

The results were in line with recent forecasts by analysts, who had been warned by the company to expect a big loss on foreign exchange in the quarter, compared with gains of $314m in the first quarter and $33m in the second quarter a year ago.

Operating earnings the second quarter, which exclude currency factors, totalled $1.55bn, an increase of over 60 per cent.

In common with other companies, Exxon experienced considerable weakness in its U.S. refining and chemical operations. Refining operations contributed $29m, down from $30m. Chemical earnings in the U.S. were almost halved to $35m. Foreign chemical operations earned $74m, up from $64m.

Earnings from U.S. exploration and production were up sharply, from $348m to $504m. Foreign exploration and production operations earned $431m against $339m and foreign refining and marketing contributed $473m, up sharply from last year's $145m.

Exxon's crude oil production was up 2 per cent in the period, as extra output from the Alaska North slope more than offset a continued decline elsewhere in the U.S.

Most of the earnings improvement in the U.S. arose from the gradual increase in gas and oil prices permitted under the gradual decontrol of energy prices.

Standard Indiana, the sixth largest U.S. oil company, reports a 40 per cent increase in earnings in the second quarter, due mainly to higher oil prices. Net income was $488.2m or $1.68 a share, up from $350.2m or $1.10 a share in the same period last year. Revenue was $7.3bn, up nearly 60 per cent on last year's $4.6bn.

Mr. John Swearingen, chairman, said that more than half the six-month earnings gain was attributable to foreign petroleum operations which benefited from higher prices

Kellogg continues to make progress

By Our Financial Staff

KELLOGG, the brand leader in the U.S. ready-to-eat cereals industry, reports further steady progress in profits for the second quarter of 1980, adding to its record of 28 years of uninterrupted earnings growth.

Earnings for the June quarter are 15 per cent ahead at $48m following a similar rise in sales, which have moved up to $540m from $470m. For the half-year earnings are $98m compared with $89.2m in the opening six months of 1979.

However, a number of exceptional accounting items have inflated the second quarter trend at Kellogg, whose main cereal brands include Special K and Rice Krispies.

On a strictly comparable basis — excluding $2.4m of currency gains and a similar amount arising from a change in UK tax laws — earnings for the second quarter are just 5 per cent ahead, at $43.2m. This rate of growth is in line with the first quarter advance.

Thus, Kellogg continues to maintain the steady if unexciting profits pattern that has been the hallmark in recent years following the general levelling out in demand for ready-to-eat cereals.

The company is the leading domestic producer with between 40 per cent and 45 per cent of the ready-to-eat market. Outside the U.S. operations account for around 35 per cent of sales and about 28 per cent of earnings.

The company explained yesterday that it had experienced volume increases in international markets in the second quarter while U.S. cereal sales remained relatively flat. Sales of new products had showed "solid growth."

Eastern Air Lines falls into loss after price war and strike

BY IAN HARGREAVES IN NEW YORK

EASTERN Air Lines, the Florida-based carrier, yesterday reported a $16m loss for the second quarter, but said it hoped that the summer holiday period and increased pricing flexibility recently authorised by the U.S. authorities would "ease the downward pressure on industry results."

The loss, which compared with $26m profits in the second quarter of last year, when Eastern was helped by operational problems at major competitors, was Eastern's first for several years.

In addition to the problems of the recession and higher fuel costs, Eastern has been hit by increased competition on its key North-east-South-east routes and by its involvement in a price war on the New York-California services.

Eastern was also adversely affected by a strike which halted the carrier's Mexican operations for 29 days in June.

The second-quarter loss was made on sales of $851m, compared with sales of $726m a year ago. For the first half Eastern had a $12.5m loss on sales of $1.7bn against a profit of $39m on sales of $1.3bn.

By contrast one of the industry's smaller, regional carriers, Southwest Airlines, yesterday demonstrated that for such carriers the recession has not happened.

Southwest almost doubled net income to $7.8m on sales up from $32m to $56.6m in the quarter.

Santa Fe raises profits

BY OUR FINANCIAL STAFF

SHARPLY higher earnings from its oil business have allowed Santa Fe Industries to shrug off a setback in railroads and increase earnings for the second quarter of 1980.

At the net level, profits have moved up by 9 per cent to $61m to leave the group 11 per cent ahead for the six months at $113.3m compared to $101.9m. Per share earnings of the half year are $3.93, or 29 cents ahead of 1979.

Santa Fe, whose rail operations include a 12,300-mile system serving the west and midwestern states, saw profits from railroads fall to $23.8m from $42.2m pre-tax in the second quarter following a rise of more than a fifth in rail expenses.

In contrast, oil profits almost trebled to $38.5m before tax against $13.7m despite the effects of strike which reduced output.

Santa Fe's natural resource operations centre on oil gas exploration as well as production. It operates a motor carrier and a 2,750 mile pipeline. In 1979 energy accounted for a third of total earnings.

INTERNATIONAL BONDS

Busy day for Swiss convertibles

By Francis Ghilès

THE INTERNATIONAL bond markets displayed little sign of activity yesterday. In the dollar sector the only issues which attracted investor attention were the Swiss convertibles.

The Swiss Bank 6¼ per cent convertible to 1990 posted a gain of 1½ points to close at 100½ while the 6¼ per cent Alusuisse convertible to 1993 finished the day more than one point higher at 90½.

The good performance of the Zurich Stock Exchange and the strength of the Swiss franc against the dollar are the main reasons behind the bout of buying activity.

In the Swiss franc sector, prices drifted lower by about ¼ a point yesterday. The planned SwFr80m ten-year issue for the Republic of Finland was delayed for a few days by the lead manager, Credit Suisse.

The drop in prices was sparked off by the bad reception afforded to the latest European Investment Bank SwFr 100m ten-year 5½ per cent bond, which shed 1½ points on its first day of trading to finish at 98½.

The Philips SwFr 60m 12-year issue, which carried a coupon of 5½ per cent, appeared to meet a better reception and most dealers agreed that yesterday's drop in prices was more a technical reaction to the volume of new issues and the steady fall in coupons that a fundamental shift in the market.

In the D-Mark sector, prices were steady. The DM 100m six-year issue for Chile, which carries an indicated coupon of 9 per cent, is expected to be priced tomorrow by the lead manager, Dresdner Bank. It was still being quoted at a discount of less 2-1½ in pre-market trading yesterday.

Atco to extend offer for Calgary Power

By Our Financial Staff

ATCO, Canada's largest manufacturer of pre-fabricated buildings, said it plans to extend its $21 a share offer for about 57 per cent of Calgary Power's common shares. The offer was due to expire tomorrow.

Atco said it would announce details of the extension after discussions with the Alberta Securities Commission, provided that such an extension of the offer would not interfere with moves to rescind the cease trading order.

On Monday, the commission barred Atco from trading in Calgary Power shares because of a discrepancy in the effective date of the offer.

The cease trading order was issued pending correction of this matter.

Atco is confident that the order will be lifted shortly.

Meanwhile, Atco has increased net earnings from C$18.2m to C$22m (U.S.$18.3m) in the year to March last. Sales rose from C$368m to C$414m.

Dominion Bridge steady in first half

By Our Financial Staff

DOMINION BRIDGE, the Canadian fabricated metals group which is controlled by Canadian Pacific, held earnings steady in the first half, but is not optimistic regarding prospects for the third quarter. In 1979, earnings jumped from $34.4m to $54.5m, but were boosted by a $13.4m gains on property sales.

Earnings for the first six months this year edged forward from US$20m to $21.1m. With shares in issue increased from 21.3m to 26.7m in the period, share earnings are down from 94 cents to 79 cents. Sales improved slightly, from $442m to $445m.

The company said that while its third quarter is not expected to compare favourably with the 1979 third quarter, it expects an improved fourth quarter and improving results beyond.

Recession hits Clark Equipment

BY CARLA RAPOPORT IN NEW YORK

TWO MAJOR industrial manufacturers, Clark Equipment and Eaton, have reported sharply reduced earnings in the second quarter, citing the effects of the U.S. economic slowdown.

Announcing a 69 per cent plunge in second quarter earnings, Mr. B. E. Phillips, chairman of Clark Equipment, said domestic operations of the company are operating at significantly reduced levels due to the severe economic downturn in North America and as a result, rapid declines in the market place.

Net income for Clark was $-0m on sales of $381m, against net income of $32.6m on sales of $430.6m in the second quarter last year.

Mr. Phillips said: "We see no evidence that there will be any significant improvement in the second half of the year and consequently earnings are not expected to improve in the near term."

Clark's half-year profit was $30.8m or $2.40 a share, against $60.75m or $4.56 a share previously.

Eaton's second quarter earnings were down by 38 per cent compared with the same period last year, to $29.4m from $46.2m. Sales dropped back to $824.1m from $873m last year. Half-year profits were $78.4m or $2.97 a share, against $91m or $3.50 a share previously, on sales down from $1.74bn to $1.67bn.

Eaton said its transportation products group had a drop in operating profit for the first six months of the year to $103m from $155m last year.

Polaroid on target at halfway

BY TERRY BYLAND

AT THE half-year stage, earnings at Polaroid are on target for Wall Street forecasts that the year end total will show an increase from last year's $1.10 a share. But sales have slipped in the second quarter, and Mr. William J. McCune, the president, is cautious about the business climate. "The economy remains uncertain in this country and in several of our overseas markets, and we are planning conservatively," he said yesterday in Cambridge, Massachusetts.

Earnings are 7 per cent up at $32.5m or 99 cents in the first six months, on sales 6.6 per cent higher at $625.5m.

In the second quarter, earnings scored a 14 per cent gain to $15.1m or 46 cents a share, but sales slipped from $321.8m to $317.2m.

Polaroid, which holds about two-thirds of the instant photography market inside the U.S., chalked up record profits of $118m in 1978 but suffered a severe setback in 1979 when it was obliged to write off some $69m on its Polavision instant motion picture system.

Prospects for this year are regarded as favourable, although the first quarter saw profits rise by only 1.9 per cent after margins were hit by higher manufacturing and start up costs.

Polaroid said that national shipments of its Time-Zero Super Colour SX-70 film to U.S. dealers will begin in August. National advertising for the new film is planned in September.

ABC faces tough third quarter

BY OUR FINANCIAL STAFF

FINAL OPERATING losses from its travel network, now sold, and start-up costs of ABC Video Enterprises and ABC Motion Pictures helped reduce overall second quarter profits of American Broadcasting Companies Incorporated and the group warns of additional pressures in the third quarter.

Net earnings for the period were $53.78m or $1.91 a share, compared with $56.96m or $2.03 a share for the corresponding period of 1979, on revenues of $578.5m against $501.8m in the previous year. Profits in 1979 included an extraordinary pre-tax gain of $2.8m from the sale of Historic Smithville Inns.

The company said ABC Television Network's profits were "approximately equal to those of the prior year despite the impact of greater programming costs."

The company said its own TV stations division generated slightly higher profits, though the local advertising market remained soft during the quarter while ABC Radio reported flat profits.

The publishing division had higher profits, principally from the inclusion of a full quarter's results from Chilton Company.

For the first half of the year, earnings totalled $78.1m or $2.77 a share against $82.4m or $2.94 a share previously on revenues of $1.13bn against $953.4m.

ABC said that third quarter profits "will be more negatively affected" due to extraordinary news costs related to coverage of the political conventions.

However, 1980 still is expected to be the company's second most profitable year. In April, ABC had forecast that 1980 earnings would be lower than the $5.67 reported for 1979.

Bristol-Myers earns more

By Our Financial Staff

BRISTOL-MYERS Company, the diversified U.S. drugs, toiletries and household group, has reported an 18 per cent rise in second quarter net income, from $54.7m to $64.3m, with share earnings up from 83 cents to 97 cents. Sales were $756.7m compared with $659.2m in the same period last year.

For the first six months net income rose from $102.8m or $1.55 per share to $122.7m or $1.85 per share, on sales of $1.53bn against $1.31bn.

Bristol-Myers said its pharmaceutical, nutritional and health care businesses all reported excellent gains domesticly and internationally in the quarter.

AMERICAN QUARTERLIES

ACME-CLEVELAND

	1980	1979
Third quarter	$	$
Revenue	102.1m	88.9m
Net profits	3.77m	5.81m
Net per share	0.87	1.29
Nine months		
Revenue	302.3m	264.7m
Net profits	12.88m	14.33m
Net per share	3.01	3.20

AIR PRODUCTS & CHEMICALS

	1980	1979
Third quarter	$	$
Revenue	356.1m	307.2m
Net profits	26.94m	24.52m
Net per share	0.95	0.88
Nine months		
Revenue	1.05bn	882.1m
Net profits	92.18m	71.35m
Net per share	3.25	2.53

ALASKA INTERSTATE

	1980	1979
Second quarter	$	$
Revenue	92.5m	63.2m
Net profits	34.33m	1.4m
Net per share	2.51	0.14
Six months		
Revenue	175.5m	119.2m
Net profits	48.55m	2.36m
Net per share	4.16	0.24

ALCAN ALUMINIUM

	1980	1979
Second quarter	$	$
Revenue	1.3bn	1.13bn
Net profits	136.8m	109m
Net per share	1.70	1.35
Six months		
Revenue	1.44bn	1.27bn
Net profits	285.2m	205.7m
Net per share	3.53	2.54

AMF

	1980	1979
Second quarter	$	$
Revenue	404.1m	388.5m
Net profits	19.3m	18.3m
Net per share	0.95	0.90
Six months		
Revenue	785.6m	720.5m
Net profits	31.2m	29m
Net per share	1.53	1.43

AMERICAN BRANDS

	1980	1979
Second quarter	$	$
Revenue	1.59bn	1.36bn
Net profits	86.87m	72.15m
Net per share	3.03	2.41
Six months		
Revenue	3.25bn	2.78bn
Net profits	208.88m	141.69m
Net per share	7.24	4.86

AMSTED INDUSTRIES

	1980	1979
Third quarter	$	$
Revenue	237.1m	226.7m
Net profits	19.65m	18.73m
Net per share	1.82	1.55
Nine months		
Revenue	706.8m	640.8m
Net profits	61.65m	47.79m
Net per share	5.71	4.43

ANCHOR HOCKING

	1980	1979
Second quarter	$	$
Revenue	202.5m	183.5m
Net profits	4.26m	6.27m
Net per share	0.44	0.61
Six months		
Revenue	404.3m	370.9m
Net profits	10.3m	11m
Net per share	1.01	1.08

ARMCO

	1980	1979
Second quarter	$	$
Revenue	1.38bn	1.25bn
Net profits	53.57m	60.52m
Net per share	1.14	1.32
Six months		
Revenue	2.73bn	2.48bn
Net profits	115.71m	118.9m
Net per share	2.50	2.59

BURLINGTON NORTHERN

	1980	1979
Second quarter	$	$
Revenue	919.0m	815.8m
Net profits	41.55m	68.27m
Net per share	1.47	2.63
Six months		
Revenue	1.8bn	1.5bn
Net profits	117.98m	109.0m
Net per share	4.30	4.20

CAPITAL CITIES COMMUNICATIONS

	1980	1979
Second quarter	$	$
Revenue	120.5m	108.4m
Net profits	20.61m	18.35m
Net per share	1.57	1.33
Six months		
Revenue	227.2m	198.2m
Net profits	35.72m	30.32m
Net per share	2.71	2.20

CITY INVESTING

	1980	1979
Second quarter	$	$
Revenue	1.34bn	1.28bn
Net profits	30.67m	35.96m
Net per share	1.08	1.41
Six months		
Revenue	2.65bn	2.45bn
Net profits	57.38m	57.99m
Net per share	2.02	2.20

COMBUSTION ENGINEERING

	1980	1979
Second quarter	$	$
Revenue	772m	676m
Net profits	27.4m	23m
Net per share	1.67	1.42
Six months		
Revenue	1.42bn	1.25bn
Net profits	48.6m	41.1m
Net per share	2.95	2.53

CONS. EDISON NEW YORK

	1980	1979
Second quarter	$	$
Revenue	843.1m	728.6m
Net profits	59.62m	56.92m
Net per share	0.79	0.72
Six months		
Revenue	1.82bn	1.54bn
Net profits	139.85m	136.2m
Net per share	1.90	1.84

DART INDUSTRIES

	1980	1979
Second quarter	$	$
Revenue	565m	622m
Net profits	44.9m	41.8m
Net per share	1.81	1.72
Six months		
Revenue	1.1bn	1.2bn
Net profits	81.1m	78.3m
Net per share	3.27	3.13

DONALDSON LUFKIN AND JENRETTE

	1980	1979
Second quarter	$	$
Revenue	124.8m	933,000
Net profits	2.53m	938,000
Net per share	0.28	0.11
Six months		
Revenue	229.4m	146.7m
Net profits	3.95m	1.38m
Net per share	0.44	0.16

DUKE POWER

	1980	1979
Second quarter	$	$
Revenue	368m	329.5m
Net profits	68.99m	59.59m
Net per share	0.67	0.58
Twelve months		
Revenue	1.57bn	1.45bn
Net profits	290.8m	253.8m
Net per share	2.95	2.76

ELI LILLY & COMPANY

	1980	1979
Second quarter	$	$
Revenue	599.9m	553.1m
Net profits	78.3m	86.8m
Net per share	1.04	1.15
Six months		
Revenue	1.32bn	1.18bn
Net profits	194.7m	190.5m
Net per share	2.58	2.53

ENSERCH CORP.

	1980	1979
Second quarter	$	$
Revenue	617.7m	488.7m
Net profits	33.8m	17.17m
Net per share	0.93	0.51
Six months		
Revenue	1.31bn	1.07bn
Net profits	79.09m	50.24m
Net per share	2.26	1.55

FIRST BANK SYSTEM

	1980	1979
Second quarter	$	$
Net profits	28.16m	25.98m
Net per share	1.87	1.74
Six months		
Net profits	55.13m	51.35m
Net per share	3.68	3.44

FREEPORT MINERALS

	1980	1979
Second quarter	$	$
Revenue	147.8m	122.8m
Net profits	35.81m	27.36m
Net per share	1.13	0.87
Six months		
Revenue	304m	228m
Net profits	70.92m	47.8m
Net per share	2.25	1.51

B. F. GOODRICH

	1980	1979
Second quarter	$	$
Revenue	749.9m	753.1m
Net profits	10m	24.6m
Net per share	0.57	1.46
Six months		
Revenue	1.52bn	1.50bn
Net profits	30.3m	50.9m
Net per share	1.77	3.03

FRANK B. HALL

	1980	1979
Second quarter	$	$
Revenue	64.4m	61m
Net profits	7.95m	7.52m
Net per share	0.82	0.78
Six months		
Revenue	128m	117.7m
Net profits	15.08m	14.68m
Net per share	1.67	1.53

JOHNSON CONTROLS

	1980	1979
Third quarter	$	$
Revenue	203.3m	197.1m
Net profits	2.75m	4.65m
Net per share	0.19	0.33
Nine months		
Revenue	694.4m	678.8m
Net profits	22.86m	33.76m
Net per share	1.64	2.43

KNIGHT-RIDDER NEWSPAPERS

	1980	1979
Second quarter	$	$
Revenue	274.8m	248.1m
Net profits	24.14m	26.14m
Net per share	0.74	0.79
Six months		
Revenue	532.5m	469.7m
Net profits	43.3m	42.5m
Net per share	1.33	1.29

KRAFT

	1980	1979
Revenue	1.69bn	1.56bn
Net profits	45.92m	51.9m
Net per share	1.64	1.85
Six months		
Revenue	3.45bn	3.12bn
Net profits	111.05m	104m
Net per share	3.95	3.71

MARTIN MARIETTA

	1980	1979
Second quarter	$	$
Revenue	643.8m	623.7m
Net profits	58.8m	53.9m
Net per share	2.36	2.15
Six months		
Revenue	1.2bn	981.1m
Net profits	93.3m	86.8m
Net per share	3.75	3.44

McGRAW-EDISON

	1980	1979
Second quarter	$	$
Revenue	578m	219m
Net profits	9m	16.3m
Net per share	0.56	0.99
Six months		
Revenue	1.14bn	420m
Net profits	20.3m	29.8m
Net per share	1.25	1.81

NATIONAL GYPSUM

	1980	1979
Second quarter	$	$
Revenue	197.9m	215.4m
Net profits	15.95m	24.22m
Net per share	0.96	1.47
Six months		
Revenue	410.3m	419m
Net profits	29.3m	41.8m
Net per share	1.77	2.54

N.Y. STATE ELEC. & GAS

	1980	1979
Second quarter	$	$
Revenue	149.1m	138.8m
Net profits	19.8m	20.4m
Net per share	0.61	0.65
Six months		
Revenue	341.2m	310.6m
Net profits	46.2m	44.6m
Net per share	1.48	1.47

OLIN

	1980	1979
Second quarter	$	$
Revenue	483.4m	471.8m
Net profits	27.16m	27.35m
Net per share	1.13	1.14
Six months		
Revenue	958.7m	909m
Net profits	49.24m	44.84m
Net per share	2.05	1.87

PENN CENTRAL

	1980	1979
Second quarter	$	$
Revenue	484.6m	286.6m
Net profits	50m	26.4m
Net per share	1.81	0.63
Six months		
Revenue	908.7m	460m
Net profits	82m	48.4m
Net per share	2.96	2.09

PITTSTON COMPANY

	1980	1979
Second quarter	$	$
Revenue	452.7m	356.2m
Net profits	24.82m	12.05m
Net per share	0.66	0.32
Six months		
Revenue	1.06bn	862.9m
Net profits	45.42m	39.06m
Net per share	1.21	0.92

JOS. SCHLITZ BREWING

	1980	1979
Second quarter	$	$
Revenue	289.7m	305.1m
Net profits	10.03m	†1.16m
Net per share	0.34	†0.04
Six months		
Revenue	531.1m	547.8m
Net profits	18.09m	†2.75m
Net per share	0.62	†0.09

† Loss

SOUTHERN RAILWAY

	1980	1979
Second quarter	$	$
Revenue	411m	366.2m
Net profits	49.34m	50.76m
Net per share	3.16	3.31
Six months		
Revenue	812m	703.9m
Net profits	100.56m	86.59m
Net per share	6.45	5.64

TEXTRON

	1980	1979
Second quarter	$	$
Revenue	823.1m	859.6m
Net profits	41.7m	43.2m
Net per share	1.12	1.15
Six months		
Revenue	1.80bn	1.71bn
Net profits	79.7m	85m
Net per share	2.13	2.26

THOMAS AND BETTS

	1980	1979
Second quarter	$	$
Revenue	64.5m	58.2m
Net profits	8.6m	8m
Net per share	1.11	1.04
Six months		
Revenue	131m	113.2m
Net profits	17.7m	15.7m
Net per share	2.29	2.04

TRW

	1980	1979
Second quarter	$	$
Revenue	1.22bn	1.18bn
Net profits	57.8m	54.2m
Net per share	1.57	1.47
Six months		
Revenue	2.49bn	2.25bn
Net profits	105.8m	98m
Net per share	2.87	2.68

UNION PACIFIC

	1980	1979
Second quarter	$	$
Revenue	1.1bn	978.3m
Net profits	79.2m	112.2m
Net per share	0.82	1.18
Six months		
Revenue	2.36bn	1.88bn
Net profits	181.2m	196.3m
Net per share	1.89	2.08

WEYERHAEUSER

	1980	1979
Second quarter	$	$
Revenue	1.17bn	1.12bn
Net profits	97.54m	151.3m
Net per share	0.76	1.20
Six months		
Revenue	2.32bn	2.13bn
Net profits	208.5m	271.1m
Net per share	1.62	2.14

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on July 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit. Oxygen F. 10¾ 90	50	92⅞	93	0	−1½	12.03
CECA Grad. Rate 12 86	100	98	98¾	0	−0½	11.59
CECA 11¼ 90	50	99	100	+0⅛	+0¼	11.69
CECA 11½ 86	100	99⅞	100¾	+0⅛	0	11.46
Chilcorp O/S Fin. 10 86	300	95¾	96⅛	+0⅛	+0⅛	11.04
Con. Illinois O/S 9¾ 86	150	94	94½	−0⅛	0	11.12
Denmark 11¾ 90	100	99⅞	99⅞	+0⅛	−0¼	11.89
Dome Petroleum 13½ 92	50	103	103½	0	+0½	12.92
EEC 11 95	75	86	96½	+0⅛	+0½	11.53
EIB 11¾ 92	80	97½	98⅛	+0⅛	+0¼	12.07
EIB 13¾ 90	100	106¾	107⅛	0	+0½	12.48
Eksportfinans 11¼ 87	50	99¾	100¼	0	+0¼	11.24
Eksportfinans 9½ 87	75	92¾	93¼	0	0	10.99
Elec. de France 10 86	125	95⅝	86¼	+0⅛	−0¼	10.79
Export Dev. Cpn. 9¾ 84	150	96⅝	97¼	0	+0⅛	10.71
Export Dev. Cpn. 12¼ 87	100	106½	107	0	+0¼	11.26
Export Dev. Cpn. 9½ 86	150	95¼	95⅞	+0⅛	−0⅛	10.56
Federal Dev. Bk. 12½ 85	75	103¾	104¼	+0⅛	+0⅛	11.11
Fin. Exp. Credit 10¾ 85	50	98⅛	98⅝	0	+0¼	10.83
Finland, Rep. of 9½ 86	100	92	92⅞	0	+0¼	11.41
Ford O/S Fin. 12½ 85	250	100¼	100⅝	+0⅛	+0⅛	12.48
George Weston 13½ 87	30	102¾	102⅞	0	0	12.88
GMAC O/S Fin. 11 84	100	86⅞	100⅛	+0⅛	+0¼	10.92
GMAC O/S Fin. 13¾ 85	100	105½	106¼	0	+0¼	11.61
Goodyear O/S 12½ 87	75	99¼	99¾	+0⅛	+0¼	12.59
Hudson's Bay 11½ 90	75	98	98½	−0⅛	+0¼	11.80
IBM Canada 10½ 85	50	99½	100	0	+0¼	10.56
ICI Fin. Ned. 11 83	100	100¼	100¾	+0⅛	+0¼	10.71
McGraw 13¼ 85	75	102¾	103¼	+0⅛	+0⅛	12.62
Norwest Ind. 13¾ 87	50	101¼	101¾	0	+0¼	13.27
Nova Scotia 10¾ 90	50	95	95½	0	+0¼	11.58
OKB 10 85	50	98	98½	+0⅛	+0¼	10.47
Pembroke Capital 9¾ 87	100	94	94½	0	−0⅛	10.84
Pemex 11½ 88	100	97⅞	98¾	0	+0¼	11.87
Quebec Hydro 11½ 92	100	96⅝	97⅛	0	−0⅛	11.36
Repsteel O/S 11¾ 86	100	94	94½	−2¼	−2¼	12.86
Royleese Ltd. 11¼ 86	50	100¼	100⅞	−0⅛	+0⅛	11.08
SNCF 12¾ 85	100	104⅞	105⅜	0	+0¼	10.92
Swed. Ex. Cred. 12½ 85	40	103⅞	103¾	0	+0¼	11.51
US Finance BV 11 90	50	93¼	93¾	0	−0¼	12.18
World Bank 9¾ 85	200	96¾	97¼	0	+0¼	10.56
World Bank 10¾ 87	300	97⅛	97⅞	+0⅛	+0¼	10.74
Average price changes... On day 0 on week +0¼						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Akzo 9 90	125	†103	103½	−0⅛	+0¼	8.49
Australia 8½ 90	250	102½	103	0	+0¼	7.70
BFCE 7¾ 87	100	98¾	100¼	0	+0¼	7.74
BFCE 8¼ 95	100	86¼	100¼	−0⅛	+0⅛	8.12
Brazil 8 87	150	93¼	94¼	−0⅛	+1¼	9.22
Council of Eur. 7¾ 89	100	95¼	95¾	+0⅛	+0⅛	7.95
Denmark 7⅞ 86	100	†98¼	99¼	0	+0¼	8.09
Denmark 8¼ 92	100	†99	99½	−0⅛	−0⅛	8.34
EEC 7¾ 94	225	99¼	99¾	+0⅛	+0¼	7.93
EIB 7⅞ 89	200	97¾	97⅞	+0⅛	+0¼	7.88
Finland, Rep. of 8 86	150	98¾	99¼	−0⅛	−0⅛	8.13
Kobe, City of 7¾ 88	150	96⅞	95¾	−0⅛	−0⅛	7.84
Kobe, City of 8 90	100	100⅜	100⅞	−0⅛	+0⅛	7.90
Mr. Bk. Denmark 8½ 90	150	100⅜	100⅞	−0⅛	+0⅛	8.40
Norway 7½ 85	250	99¾	100¼	+0⅛	+0⅛	7.48
OKB 7¾ 89	100	95⅞	96¼	−0⅛	−0⅛	7.98
OKB 8¼ 92	100	100¾	101¼	−0⅛	−0⅛	8.13
Oslo, City of 8¾ 90	80	102½	103	−0⅛	0	8.31
Sweden 9¼ 87	200	†107½	108	+0⅛	+0⅛	8.18
World Bank 7¾ 81	400	98	98½	−0⅛	+0⅛	7.99
World Bank 7⅞ 90	250	99	99½	0	+0⅛	7.98
World Bank 10 88	190	108⅜	109⅜	0	+0¼	7.95
World Bank 10 90	200	112	112½	−0⅛	+0¼	8.13
Average price changes... On day 0 on week +0¼						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	92	92½	+0⅛	−1¼	6.68
Bergen, City of 4½ 91	40	94½	95	−1	−0¼	5.40
Bergen, City of 8 90	90	103¾	103¾	−0⅛	−0¼	5.51
BNDE 5 89	75	85¾	86	0	−0½	7.20
BMW Overseas 4½ 81	100	92¾	93¼	0	−0¼	5.06
Buhrm'n-Tetterode 7 90	40	106¾	107¼	+0⅛	+1½	6.06
Coisse Nat. Tele. 4¾ 89	100	94½	95	0	0	5.11
Copenhagen 4½ 91	60	91	91½	0	0	5.57
Council of Eur. 5 89	100	95¾	96¼	+0⅛	−0½	5.56
Denmark 5¾ 90	80	99¾	100¼	−0⅛	−0¼	5.76
EIB 4½ 91	100	90½	91	−0⅛	−2	5.86
EIB 4¼ 94	100	†87	88	−0⅛	−0¼	5.68
Elec. de France 4¾ 89	100	95⅞	95¾	+0⅛	+0¼	5.03
F. G. H. Hypo. Bk. 8 90	50	†104	104½	−0⅛	−0¼	5.43
GZB 4¾ 89	100	91½	91¾	−0⅛	−0⅛	5.44
Hilti 4½ 91	35	†94	94½	0	−0¼	4.92
Inl.-Amer. Dev. 4½ 89	100	92	92½	−0⅛	−0¼	5.81
Inl.-Amer. Dev. 7 90	80	106⅜	107¼	−0⅛	+0¼	6.04
Jutland Tele 5½ 90	50	100¼	100¾	−0⅛	0	5.43
Malaysia 5 89	80	89⅞	89	−0⅛	−0¼	8.87
Newag 5½ 90	80	101⅞	102⅜	−0⅛	−0¼	5.47
Nippon Tel. & T. 4¾ 89	100	94¼	94¾	−0⅛	+0⅛	5.01
Nordic Bank 5 89	45	99	99¼	+0⅛	+1½	5.11
Norges Komm. 4½ 91	100	92⅛	93⅛	−0⅛	+0¼	5.23
OKB 4½ 91	100	92	92½	+0⅛	−0⅛	5.31
OKB 8 90	100	103¼	104	−0⅛	+0⅛	5.49
Oslo, City of 4½ 91	80	90	90½	−0⅛	−0⅛	5.58
Sekisui Pre. Hms. 6 90	80	102¾	102⅞	−0⅛	−0⅛	5.65
Shikoku El. Pwr. 4¾ 89	100	96⅝	96¾	0	+0⅛	5.26
World Bank 4¾ 89	100	94	94½	−1¼	−1½	5.45
World Bank 4½ 89	150	91¼	81½	−0⅞	−1	5.58
World Bank 4¾ 91	100	†92	92½	−1	−1	5.58
Average price changes... On day −0¼ on week −0¼						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.8 83	30	82¾	93¼	0	+0¼	8.26
Australia 6½ 86	20	87½	88¼	−0⅛	0	8.89
EIB 7¾ 89	12	96½	97¼	+0⅛	+0¼	8.33
Finland 5.8 83	10	91½	92¼	+0⅛	+0¼	8.51
Finland 8.8 88	10	87⅞	89¼	0	−0¼	8.95
Finland, Rep. of 8½ 87	15	96½	97¼	0	−0⅛	8.95
Average price changes... On day 0 on week +0¼						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	86	96¼	+0⅛	+0¼	11.61
CIBC 13½ 85 C$	50	103⅜	104⅛	0	−0¼	12.35
CIBC 11½ 85 C$	60	98⅝	98¾	0	+0¼	11.91
Federal Dev. 11½ 90 C$	60	96¾	97¾	0	−0¼	12.03
Fer. Can. Inv. 10 84 C$	50	94¼	94¾	+0⅛	+0⅛	11.89
GMAC 12 85 C$	50	†99¼	99¾	0	+0¼	12.12
R. Bk. Canada 10 86 C$	40	94¾	95¼	0	+0⅛	11.20
Tordom Cpn. 13½ 86 C$	30	103⅞	103⅞	0	−0¼	12.42
M. Bk. Dnmk. 9 91 EUA	25	93¾	94¼	0	−0⅛	9.93
SOFTE 8½ 89 EUA	40	87¼	88¼	0	+0⅛	10.44
U. Bk. Nrwy. 9½ 90 EUA	18	97¼	98¼	0	0	9.77
Algemene Bk. 8¼ 84 Fl	75	96¾	97¼	+0⅛	+0¼	9.18
Algemene Bk. 10¼ 87 Fl	400	101⅝	102¼	0	+1⅛	9.85
Bk. Mees & H. 10 85 Fl	75	100¼	100¾	0	0	9.90
Ned. Gasunie 8¾ 84 Fl	50	100⅛	100¼	0	−0¼	8.59
Norway 8¼ 84 Fl	100	96¾	97¼	−0⅛	0	8.18
Philips Lamps 8¼ 84 Fl	75	97	97½	0	+0¼	9.18
Air France 11 84 FFr	120	96	97¼	0	+0¼	12.06
CECA 14¾ 86 FFr	150	106¾	107¾	+0⅛	+0¼	12.42
Euratom 9¾ 87 FFr	150	85½	86¼	0	+0¼	12.90
Finland 11 84 FFr	80	95	96¼	0	+0¼	12.35
Finland 11½ 89 FFr	70	93	94¼	0	+0¼	12.69
Gaz de France 11 84 FFr	150	94¾	95½	0	0	12.54
IBM France 11¾ 84 FFr	120	97¾	99	0	+0¼	12.32
Renault 9¾ 86 FFr	100	86¾	87¾	0	0	13.43
Saint-Gobain 9¾ 86 FFr	130	86	87	0	+0¼	13.20
Solvay et Cie 9¾ 87 FFr	125	84¾	85¾	−0⅛	−0¼	13.25
Beneficial Fin. 14¾ 90 £	20	102	102½	+0⅛	+0¼	13.79
Citicorp O/S 13¼ 90 £	50	101¾	101¾	+0⅛	+1½	13.18
EIB 11½ 91 £	25	96¾	96¾	0	+2½	12.08
Fin. for Ind. 12½ 89 £	30	86⅞	99¼	+0⅛	+0¼	12.64
Fin. for Ind. 14½ 86 £	20	104½	104⅞	−0⅛	+1¼	13.47
Gen. Elec. Co. 12½ 89 £	50	99¾	100¼	−0⅛	+1¼	12.52
Swed. Ex. Cr. 15¼ 85 £	20	105⅞	106¾	−0⅛	+1¼	13.44
Banobras 8¾ 90 KD	7	†95¾	95¾	0	+0¼	8.93
CCCE 8½ 91 KD	10	†93⅞	94¾	+0⅛	+1	8.99
Mitsubishi 7¼ 84 KD	10	†94¾	94½	0	−8	9.15
Sonatrach 8½ 90 KD	12	†95¾	95¾	0	+0¼	8.31
Akzo 9¾ 87 LuxFr	500	94½	95¼	+0⅛	−0¼	10.74
Euratom 8 87 LuxFr	500	89½	90½	0	+0¼	10.12
Eurotom 9¾ 86 LuxFr	500	98	99	0	−0¼	10.02
EIB 9¾ 86 LuxFr	600	97⅞	98⅞	+0⅛	−0¼	10.05
Volvo 8¾ 87 LuxFr	500	95¼	96¼	0	−0¼	10.48

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¼ 87	0¼	98¾	86¼	2/1	10.44	10.61
Bank of Ireland 5¾ 89	‡0¼	97¼	97¾	21/8	11.81	12.04
Bank of Tokyo 5¾ 89	‡0¼	97¾	97¾	25/10	15.56	15.69
Barclays O/S Inv. 5 90	0¼	97¾	98¼	15/12	9¾	9.89
Bergen Bk. A/S 8 89	‡0¼	97	97½	29/8	10	10.28
Bilbao Int. NV 5¾ 90	0¼	96⅞	87¼	29/11	10.06	10.35
Citicorp O/S F. 83	§10	98⅞	89¼	23/8	10.18	10.28
Citicorp O/S F. 94	§10	98¾	98¾	30/7	9.69	9.82
C. Itoh 5¾ 87	0½	99½	100	18/9	19.43	19.49
Co-operative Bk. 8 86	0¼	98⅞	98¾	15/11	11.44	11.61
Creditanstalt 5½ 91	§10¼	97¼	97¾	14/9	9.44	9.63
CNT 5¾ 86	§0¼	100¾	101¼	16/10	18¾	17.95
GZB 5½ 86	‡0¼	98¾	98¾	1/8	15¾	15.50
Jugobanka 8 89	0¾	90¼	92¼	23/11	11½	12.74
Ind. Bank Japan 5¾ 87	0¼	100¼	100¾	15/10	18¾	18.69
Lloyds Eurofin 8 90 £	0¼	97¾	98¼	3/1	15¾	16.09
LTCB Japan 5¾ 86	0¼	98¾	98⅞	13/12	9¾	9.76
LTCB Japan 5½ 89	0¼	98⅞	99¼	7/12	10½	10.28
Mfrs. Han. D/S 5¾ 94	‡0¼	97¾	97⅞	31/8	9⅞	10.12
Midland Intl. Fin. 5 89	0¼	99	98¾	20/12	9½	9.57
Midland Intl. Fin. 5¼ 92	0¼	98¼	98⅝	5/12	10⅞	11.03
Nacional Fin. 6¾ 86	0¾	98	99½	25/7	14.69	14.95
Nat. West. 5¾ 94	§0¼	100	100¼	11/10	18¾	18.56
Nippon Credit 6½ 86	0¼	98¾	98¾	16/11	11.46	11.61
Nippon Credit 5¾ 87	‡0¼	97¾	97¾	12/1	8.56	9.80
Royal Bk. Scot. 5¾ 94	§‡0¼	86	98½	11/10	9.31	9.48
Soc. C. de Bque. 6½ 87	0¾	100¼	100¾	3/10	20.06	19.96
Sogenal 5¾ 86	§0¼	97⅞	98¼	13/1	9¾	9.83
Standard Chart. 5¾ 90	0¼	100¼	100⅞	6/9	17⅛	17.14
Svenska Hndlabk. 10 87	0¼	98½	99	15/1	10	10.13
Sweden 8½ 91	‡0¼	98¾	96⅞	18/10	18½	19.28
Williams & Glyn 5¾ 91	0¼	99¾	100¼	14/9	18½	18.50
Bq. E. d'Alg. 4¾ 89 SF	0¼	90	92	18/12	6¼	6.73
Average price changes... On day 0 on week +0¼						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktiebolag 7¾ 89	10/79	145	†121	122	0	−8.30
Ajinomoto 7¾ 95	2/80	615.5	113¾	114¾	−0½	−2.93
Alco Int. Fin. 9¼ 94	1/80	40	93¼	94¼	+0¼	24.30
Apache I. Fin. 8¼ 95	12/80	21.12	116¼	118	+0¼	−0.82
Asahi Optical 7 94	11/79	526.1	97¼	98¼	0	−2.28
Blocker Energy 8¼ 95	1/81	21.87	98¾	99½	0	17.00
Canon 6¾ 94	8/79	570	108¾	109¾	−0¼	−1.08
Credit Suisse 4¾ 93	10/79	1278	109	110½	+3	−2.81
Daiei Inc. 6½ 94	11/79	927.a	97¾	98¾	0	18.80
ODKK 1T 90	4/80	324	110¾	111¾	+0¼	11.89
Oynalectron 9½ 95	8/80	12.22	109¾	111	−0¼	−0.08
Enserch Fin. 9½ 94	7/80	30.25	126	127	0	0.09
Meidensha Elec. 7 94	12/79	210	102¼	104	0	8.97
Mitsubishi Cp. 8¼ 94	10/79	549.1	121¼	123	+0¼	3.68
Nippon Seiko 7¾ 94	12/79	339	†110½	111½	0	1.20
Toshiba Cpn. 7¾ 94	10/79	198	101½	102½	−0⅛	5.02
Union Bk. Switz. 5 89	2/80	121.4	98¼	100	+0¼	5.75
Fujitsu 5 84 DM	7/79	475	101¾	102¾	+0¼	4.88
Kansai Elec. 4 84 DM	4/79	1210	166¾	87¾	−0⅛	37.72
Sharp Cpn. 6¾ 88 DM	9/80	585	101	101¾	−0¼	13.93
Uny Co. 6¼ 85 DM	11/79	1071	98¾	98⅞	+0¼	26.49

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

WEST GERMAN ENGINEERING

Strong sales growth at Weserhuette

BY ROGER BOYES IN BONN

WESERHUETTE, the West German industrial plant and engineering group, recorded strong sales growth and nrder intake last year, equipping it well for its merger with Pohlig-Heckel-Bleichert (PHB), a subsidiary of the Luxembourg steel group.

The planned merger, announced late last year and due for completion next month, reflects a trend towards greater concentration in the steel and steel-related industries in Germany and neighbouring countries.

There seems to be a growing conviction in the steel trade that only large units and aecure transnational markets can secure thn right conditions for rational production and acceptable prices during the long-awaited economic slowdown.

Together Weserhuntte, a subsidiary of the Otto Wolff steel and chemicals group, and PHB will havn a turnover exceeding DM 700m ($400m)—still not a giant in world terms. But by pooling the skills of the two companies, they hope to create a competitiva specialist in open cast mining equipment as well as equipment for conveying, handling, stockpiling and processing bulk materials.

Weserhuette brings with it not only strong interests in Australia, the U.S., South Africa and India but also healthy order books and reasonably stabln profit growth. Turnover of the group rose by 5.5 per cent to DM 290m ($165m) compared with DM 275m in 1978, while new nrders last year reached DM 406m compared with DM 354m in 1978 and DM 268m in 1977. Some 80 per cent of the orders came from abroad, with Australia playing a particularly strong role.

New orders receivnd in the first six months of this year were up 15 per cent and turnover was 20 per cent higher.

Althnugh profits havn not kept pace with turnovnr, group margins have stayed relatively stable. The parent company ploughed balancn sheet profits of DM 1.4m into the reserve to reinforce its capital ahead of the merger. This figure was considerably down on 1979's profit of DM 5m but this comparison does not give an accurate picture of the company's fortunes since most of the profit growth last year came from overseas subsidiaries which are not consolidated.

Weserhuette now employs more people overseas than in Germany, a factor which remains a considerable boon as German labnur costs are now among the highest in tho industrialised world.

● Dentsche Solvay-Werke, the German unit of the Belgian chemicals group, reports lower earnings for tho first half of 1979 on sales little changed. Last year the company reported sales 32 per cent higher at DM 766.2m, largely the result of an improved performance by the mining and chemical divisions.

Advance at Pao group company

By Our Financial Staff

WORLD INTERNATIONAL (Holdiogs), one of the quoted companies in Sir Yue-kong Pao's shipping empire, raised its group net profit to HK$74.57m (US$15.8m) in the year to March 31, from HK$63.6m in the previous year. Earnings a sharn were 27 cents, against 23 cents as adjusted for thn scrip issues of September and January.

Sir Yun-kong interests were engaged in a brief share market battle last month with Hongkong Land, in which the Pao stake io Hongkong Wharf and Godown Company was Increased from 30 per cent to 49 pcr cent at a cost of over HK$2bn (US$400m).

Bond lifts offer for White Industries by almost 20%

BY JAMES FORTH IN SYDNEY

ENDEAVOUR RESOURCES, a member of the Alan Bond group, has raised its partial bid for Whitn Industries, the New South Wales coal group, by a further A$4 to A$25 a share, valuing tha company at around A$235m (US$273m). It is the sixth bid received for White Industries since a battle in February between the Bond camp and interests associated with White left both sides deadlocked.

The White camp claims tn speak for more than 50 per cent of the capital bnt this is disputed by the Bond camp which hnlds 43.6 per cent. Endeavour is bidding for 20.1 per cent of remaining shares which would give it 55 per cent

White Holdings, a company formed by the White family and supported by the Japanese group Mitsubishi Development, is entitled to 35.8 per cent and is bidding for 17.2 per cent to lift its interest to 53 per cent.

Endeavour started tha bidding at A$18.25 and camn again at A$20. White Holdings then matched the A$20 cash bid and offered a share alternative nn the basis of three White Holdings shares for each White Industries share.

Endeavour then raised its offer to A$21 and has now increased it to A$25, further widening the margin over White Holdings. White Industries have been suspended from trading since May 13, but the Sydney stock exchange is considering relisting the stock.

● The A$20m dnbenture issue by the Finance Corporation of Australia (FCA), the wholly-owned subsidiary of tha Australia and New Zealand Banking Group (ANZ), has bnen fully subscribed, Reuter reports from Adelaide.

FCA, which was taken over in a merger with the Bank of Adalaido, is accepting ovnr-subscriptions of up to a further A$20m. It is paying up to 13 per cent for four-year paper.

Staff lay-offs cloud labour talks at Fiat

By Rupert Cornwell in Rome

THE FIRST indications of lay-offs of middle management staff by Fiat have further increased tensions on the eve of a resumption of negotiations in Turin between the unions and the management of Italy's largest private sector group.

The varying figures put on the number of such staff who have left recently—two according to Fiat, 40 to 50 according to the unions—are a sign of the mistrust dividing thn twn sides as discussions restart tomorrow.

Theoretically the talks are concerned with a new in-house labour contract to supplement last year's metal and engineering workers' national agreement. However, in practice they are concerned with the virtual certainty of heavy lay-offs by Fiat this autumn, when the crisis of the Italian motor industry is expected to deepen.

At the Fiat annual meeting earlier this mnnth, Sig. Giovanni Agnelli, the group's chairman, said that Fiat was aiming to reduce car output by 30 per cent in the second half of this year, in response to high stock levels and falling demand.

Sig. Agnelli made it clear that all categories of staff would have to share in the sacrifices required. For this reason, the unions are interpreting the departure of middle grade employees as a sign of massive lay-offs and short-time ahead for the workforce at large, when the summer holiday break is over. They believe that the company aims to shed 15,000 workers, although Fiat has never confirmed this figure.

Recovery at Hoffman-La Roche

BY JOHN WICKS IN ZURICH

AFTER TWO years of rapid decline, profits at Hoffman-La Roche, the Swiss pharmaceuticals group, have begun to recover but at a modest rate only.

Group sales for the first half of 1979 are 9.2 per cent ahead but the growth in earnings has not managed to keep pace with sales, says the company in its interim report.

Hoffman confirms the fnrecast made in May by Herr Fritz Gerber, thn chairman, that earnings would show only a slight improvnment this year. In May Herr Gerber had indicated that for 1979 as a whole profits growth would be of "between 0 and 10 per cent."

In terms ef local currencies, Heffman's turnover rose by 17 per cent in January-June. All sectors of activity contributed

The slowest sales perfnrmance, a gain of 5.7 per cent in Swiss franc terms, came from pharmaceuticals, Hoffman's biggest single division. This accounted for 44 per cent of the SwFr 2.9bn ($1.81bn) total compared with 45 per cent a year before, eontinuing the steady decline in relative importance of the company's drugs operations.

Elaewhere, vitamins and fine chemicals ahowed a sales increase of 9.6 per cent, whiln those of flavonrs and fragrancea improved by 7.5 per cent. These two divisinns accounted fnr an unchanged 29 and 12 per cent of group turnover, respectively.

Tha share of instruments, agro-chemicals, diagnostics and cosmetics rose from 14 to 15 per cent. Their sales went up by 12.1 per cent over the half-year.

● Landis and Gyr, the elcetrical engineer, expects to maintain earnings at SwFr 58.7m ($36.7m) for the year ending September, 1980. In a letter to shareholders, Landis says that business has developed well over the past months, with both turnover and new orders aome 8 per cent up. Demand is particularly marked in air-conditioning equipment.

The company points to the abaence of major currency losses and a declinn in financing costs.

Selangor Properties well ahead

By Wong Sulong in Kuala Lumpur

SELANGOR PROPERTIES, nne of Malaysia's larest rcal estato groups, has reported a 32.4 per cent increase in first-half pre-tax profits to 4.6m ringgit ($2.15m). The results, for the pcriod to April, do not include profits nf 14.2m ringgit from the recent sale of two pieces of land.

The company, which nwns some of the prime undeveloped land in Knala Lumpur and Selangor State, said plans to develop these areas were already in an advanced stage, but warned that bureaucratic red tape might delay their implementation.

The interim dividend is maintained at 8 per cent on capital increased to 38.5m ringgit by the recent nne-for-three scrip issue.

ITT plans sale of stake in Allied Technologies

BY JIM JONES IN JOHANNESBURG

INTERNATIONAL Telephone and Telegrapb is planning to sell a 28 per cent interest in the South African electronics group Allied Technologies (Altecb). The two companies have announced that Allied Electronics (Altron), which owns 52 per cent of Altech, is considering an optinn to buy 2.43m Altecb shares worth about R34m ($44.6m) from Standard Telephone and Cables (STC), the ITT subsidiary in the UK. If the deal is consumated. ITT will retain an approximate 5 per cent interest in Altech through its subsidiary.

Altron's option on the shares held by ITT goes baek to 1977 when Altech took over STC's South African operations in a share exchangn. It was agreed that Altech's controlling shareholders should have a right of first refusal shnuld ITT decidn to sell all or part of its holding.

According to Mr. Bill Venter, Altech's chief executive, the reduction in ITT's Altech bolding in nn way impairs the licensing, technical information, and non-competition agreements between the groups. Retention of a 5 per cent interest by ITT, be said, would belp tn reinforce these agreements.

Official plan hits Stocklands trust move

By Our Sydney Correspondent

THE Australian Government's proposala tn deter companies from spinning-off trust offshoots has created problems for the recently fnrmed Stocklands Property Trust.

Stocklands, until rnecently the property developer Stncks and Hnldings, was in thn midst nf a $A28m nnn-renounceable rights issue and a placement of units when the Government's intentions were announced.

Since the property group Westfield established a property trust early last year and transferred some of its assets, a number nf companies bave followed suit.

The main attraction was that property trusts reduced the level of company tax paid. However, Mr. Jnbn Howard, the Treasurer, said recently that tax legislatinn will be amended so that trusts formed by reconstructing public companies will ba regarded as normal companies for tax purposes.

Trusts already formed by July 11, will not pay the bigber tax rate until the 1983-84 year to enable them to recoup their establishment costs. Stocklands directors yesterday described the Government's proposal as "extraordinary and most unjust"

The directors said they would pursue whatever course of action was available at the time to substantially preserve the distribtuion rate to unit-holders after the tax concession period ended. "This may involve further restructuring and/or full or partial winding-up of the trust," they added.

Tornado orders help MTU

BY KEVIN DONE IN FRANKFURT

THE GERMAN diesel engine and aircraft engine group, Motoren und Turbinen Union (MTU), jointly owned by MAN and Daimler Benz, is aiming to increase sales this year by around 27 per cent to DM 1.6bn ($915m) compared with DM 1.26 bn in 1979.

The high level of current order books should sustain activities well into 1981, and some sectors of the company already have orders to guarantee full employment through to 1982-83. This is particularly the case with MTU's Munich-based plants, where the value of the company's order book stands at DM 1.75bn.

Taken together the group's two major divisions — MTU Munich and MTU Friedrichshafen—took new orders amounting to DM 788m in the first six months of 1980. The group's total order books are now standing at about DM 3.2bn.

Tntal sales last year rose to DM 1.26bn compared witht DM 1.14bn in 1978.

The main boost to salns of MTU Mnnich is coming from demand for the RB-199 engine for the Tornadn fighter aircraft. Additional work has also been received for the Alpha jet and the asaembly under licence of the BO 105 helicopter engine.

According to Dr. Ernst Zimmermann, the group chief executive, increasing work is expected in the coming years from the civil aviation sector. MTU was lonking beyond Western Europe fnr co-operation projects, particularly to the U.S.

● Hapag-Lloyd, the German shipping group, still thinks balanced results are possible in 1980, after net prnfits fell last year, to DM 3.6m ($2m) from DM 15.1m in the previous year, the company said.

The annual meeting was told that Hapag awaits the second half of this year with trepidation owing to a noticeable fall in cargo volume in liner traffic and a slump in bulk cargo activities. The development so far in tourist business has not met the company's expectations, which were already cautious.

Reuter

Group rise for Takeda Chemical

By Our Financial Staff

CONSOLIDATED net profits of Takeda Chemical Industries, the major Japanese pharmaceuticals manufacturer, which also has interests in food, rose by 13.6 per cent in the year to March 31 to Y22.65bn ($104m), from Y19.94bn in the previous year, on sales up 12.8 per cent to Y438.37bn ($2bn), from Y388.68bn.

At the parent level, the company reported in May a broadly equivalent increase in sales, of 12.7 per cent to Y420.3bn, hut a sharper increase in after-tax profits, of 20 per cent to Y16.43bn.

Surge at Toyota (SA)

BY OUR JOHANNESBURG CORRESPONDENT

TOYOTA (South Africa) the motor-vehicle manufacturer and importer which is wholly South African-owned, has recovered strongly from last year's motor-industry recession. For the six months to June 30 the group has reported a consolidated pre-tax profit of R10.1m ($13.2m). This compares with R125,000 for the first half of 1979 and R7.6m for the whole of that year.

The company does not disclose first-half turnover figures, but management attributes the improved results to higher vehicle sales and favourable exchange rate movements. During the six months Toyota (SA) aold 28,263 vehicles, equivalent to a 15.2 per cent market share. During the corresponding period of last year 19,513 vehicles were sold for a 12.8 per cent market share.

Earlier this year, the company estimated that a shortage in supplies of new vehicles would be overcome by mid-year. However, according to Mr. Colin Adcock, the managing director, unprecedented demand for vehicles means that supply shortages could persist for the remainder of the year.

An interim dividend of 20 cents has been declared from first-half earnings per share of 136.5 cents, compared with 5.7 cents. Last year a single final dividend of 28 cents was paid from total earninsg of 115 cents.

Delhi Taj boosts Indian Hotel earnings

BY R. C. MURTHY IN BOMBAY

INDIAN HOTEL Company (IHC), which owns and nperates the Taj group of hotels, lifted total revenue by 44 per cent from Rs 184.25m to Rs 264.91m ($34m) for thn year to March and gross profits rose by 67 per cent to Rs 68.6m ($8.9m) from Rs 40.98m. Thn advance in profits was attributed mainly to the completion of the Delhi Taj hotel, the revennes of which increased to Rs 65.9m in 1979-80 from Rs 11.5m in the previoua year.

Mr. J. R. D. Tata, the chairman, said the company's growth in future would mainly depend on the continued development of the Taj chain of hotels. IHC is seeking new pastures for investment in the country and overseas. The company has completed negotiations with thn Sri Lanka Government for pntting up a 400 room bntel at Colombo, and will invest Rs 32m in the equity of Taj Lanka hotels.

Thn company has received a number of nverseas Inquiries aimed at using its expertise in hotnls and catering. It has floated a new sterling company, Taj International, in London with a share capital of £200,000, to process inquiries and to take up overseas projects.

Within India, the company has ambitious plana for expansion and diversification. It bas agreed to undertake joint ventures for nperating hotela in Delhi, and at bnalth resorts, such aa Simla, in north India.

The Taj group also proposes to set up a chain of 20 medium-priced hotels. Known as Taj Travellers' Inns, Caravanserai, and Taj Serai. These will cater for travellers and fnreign tourists with medium hudgets. The room tariff will range between Rs 75 and Rs 120 against Rs 400 and above for the Bombay Taj Intercontinental. The botels would be located in towns which are growing in commercial and industrial importance, in off-beat tourist locations, and in pilgrim centres, where there are shortages of hotel rooms.

Diversification plans includn the aetting up of a farm in Goa for growing fruit and other farm products tn supply the Taj group. With the possibility of the Government giving priority to the hotel industry for purposes of term loans and tax benefits, Taj group is poised for further growth. It haa unveiled plana for a 500 room botel, its third in Bombay, subject to permissinn from tha central and state Governmonts.

* * *

SALES AND profits of Britannia Industries (BIL) in the year to March 1980 reached record levels daspite a narrowing of profit margins. With shortages and high cost of basic ingredients—whnat, sugar and fats—and transport bottlenecks, profits before tax increased by only 12.41 per cent to Rs 61.04m ($7.9m) in 1979-80 from Rs 54.30m on sales up by 22.77 per cent to Rs 621.58m ($80m). Exports of biscuits and frozen foods rose to Rs 64.91m from Rs 56.04m.

Britannia is tho leadar in the biscuit industry and tha Government bas imposed curbs on its expansion with a view to nurturing small companies in the field. It operated at its full capacity of 39,817 tonnes in 1979-80, and Mr. M. M. Sabarwal, the chairman, says the company should be allowed natural growth so that it would bave an incentivo to increase productivity and absorb costs.

After becoming an Indian-owned company, Britannla formulated ambltious plans for diversification. The ateep increase in plant and machinery prices at home and abroad last year, bowever, forced it to curtail its plans. A footwear project was abandonod because of uncertain export prospects, and a second look at anthaquinone and soyabean processing projects is proposed in the light of cost escalations.

Double-figure inflation and constraints on supplies of various raw matorials have affected future prospects, but Britannia hopes business conditions will improve, so as to allow growth in the company.

BMA seeks bank funding for Caltex refinery deal

BY IAN WILSON IN BAHRAIN

THE Bahrain Monetary Agency has asked the island's banks to participate in a $400m loan for the Bahraini Government. This is the sum the Government has agreed to pay Caltex for a share in its Bahrain oil refinery. The agreement, giving the Government a 60 per cent share, was signed by Mr. Yousif Shirawi, Bahrain's Minister for Development and Indnstry, and Mr. Bill Tucker, president of Caltex, at the week-end.

The BMA has asked banks to provide $300m. The other $100m would be provided by the Government.

Tha BMA said the Government was seeking repayments over two years with a nine-month grace poriod. According to one banker, the final interest would be very fine, probably under 1 per cent above the Bahrain Interbank Offered Rate (BIBOR). He said: "I expect thn Government will eventually pay about ¾ to ½ per cent above BIBOR."

The loan is expected to be finalised within the next two to three months. It was thought that the biggest banks in Bahrain would participate, but the possibility of local Bahraini banks taking a share in thn loan was not ruled ont.

* * *

THE BANK of Bahrain and Kuwait's overall net profits for the first six months of this year show a 66 per cent increaso over the same period last year, to $5.03m from $3.02m. Thn figure incindes a $297,000 share of profits from the bank's associate company, thn Bank of Oman, Bahrain and Kuwait.

Mr. Barry Sullivan, tha general manager, said the good results come from expansion in all throo main areas of operation: retail and commorcial business in Bahrain; dnvelopment of the Kuwait Branch; and Increased lending activity in the Gulf and internationally through the banks' offshore banking unit.

Dow up 6.6 at mid-session

A FURTHER advance in heavy dealings took place on Wall Street yesterday morning.

Analysts said the market was buoyed by the record level of short interest reported by the New York Stock Exchange after the close on Monday. They said the 66m share short position represents stored demand for stocks.

The Dow Jones Industrial Average was 6.65 higher at 935.32 at 1pm, while the NYSE All Common Index added 37 cents at $70.47 and advances outpaced falls by a two-to-one margin. Turnover expanded to 36.88m shares from the previous day's 1pm level of 29.47m.

Investors were also encouraged by comments from Federal Reserve chairman Volcker that indicate he will continue to direct monetary policy towards a reduction of inflation. He and President Carter both repeated their opposition to a tax cut now. Second-quarter profits reports aided some issues.

The market is also continuing to benefit from strong demand from institutions rolling over expiring short-term debt positions. Declining interest rates have been responsible for a large part of the stock market's three-month advance.

"Institutional demand is insatiable," commented Larry Wachtel, of Bache Halsey Stuart Shields.

Exxon gained ½ to $72½. Its second-quarter net earnings topped $1bn. Active Eastman Kodak climbed 2¼ to $59½. The company has announced its expected blood chemistry analyser.

Polaroid reported higher second-quarter profits but lost ¼ to $26.

Eli Lilly, which on Monday said it had begun limited testing on healthy volunteers of human insulin produced through genetic engineering technology, rose 1½ to $55½.

Kraft reported lower second-quarter profits while Dart Industries' June-quarter net earnings were higher. Kraft eased ⅛ to $41⅞ and Dart ¼ to $43¼. They plan to merge.

Pillsbury named a new president for its Burger King unit and added ⅜ at $36⅜. Santa Fe Industries lost 1⅞ to $64⅜ despite higher June-quarter results.

THE AMERICAN SE Market Value Index rose 1.17 to 313.21 at 1 pm on volume of 4.03m shares.

Closing prices for North America were not available for this edition.

Canada

Shares were firmer-inclined after another large early business. The Toronto Composite index put on 9.3 to 2,179.9 at noon, while Metals and Minerals rose 26.5 to 2,104.2 but Golds shed 11.2 to 4,450.6. Banks, on the Montreal Exchange, advanced 4.13 to 370.90 on index.

Tokyo

Share prices finished with a lower bias after another moderate trade, contrasting with the recent firmer tendency.

The Nikkei-Dow Jones Average shed 6.39 to 6,836.10 and declines outnumbered gains on the First Market section by 378 to 256 after volume of 240m shares (230m).

Limiting the decline in the Nikkei-Dow Average, however, were advances recorded by some Defence and Resources issues following news that the Japanese Cabinet has agreed on the need to establish a council to deal with Japan's security on a broad basis.

Among Oils and Coals making fresh headway, Arabian Oil rose Y80 to Y2,860, Mitsui Mining Y12 to Y682, Sumitomo Coal Y18 to Y303 and Nippon Oil Y10 to Y1,570, but Teikoku Oil receded Y20 more to Y1,150.

Trading Houses were generally harder, Mitsubishi adding Y4 at Y639, but Constructions, large-capital issues and export-orientated Light Electricals were among those to lose ground. TDK Electronic retreated Y50 to Y2,380, Pioneer Electronic Y30 to Y1,980 and Nippon Steel Y3 to Y128.

Germany

The market started strongly in hectic trading on speculation that the Bundesbank may ease credit policies at the Central Council meeting tomorrow. However, some of the gains were not maintained, and stocks finished on a rather mixed note. The Commerzbank index retained a modest improvement of 2.1 at 746.3.

Brokers said news that there would not be a Press conference after Thursday's meeting of the Bundesbank's Central Bank Council depressed later sentiment.

Banks still showed good advances at the close, with Dresdner DM 3.90 up at DM 205.40. Elsewhere, MAN gained DM 5, Degussa DM 4.50 and Krupp DM 2, but Volkswagen receded DM 2.80.

On the Domestic Bond market, Public Authority Loans were steady and the Bundesbank sold DM 28.7m of paper, after sales of DM 3.3m on Monday.

Australia

The Oils sector was predominantly easier yesterday, while Minings were inclined to relinquish some ground and Industrials finished on a mixed note. The Sydney All Ordinaries Index receded 5.54 to 914.86 and the Metals and Minerals index 86.52 to 5,656.66.

News from Strata Oil that the Woodada No 2 well had not yet reached target depth pushed the shares down 25 cents to A$2.70.

Santos, despite reporting on Monday a strong gas flow at the Della No 10 well, shed 20 cents to A$13.00, while partner Crusader Oil eased 5 cents to A$3.95.

Uraniums, strong since the EZ-Peko Wallsend 4.5m lb supply deal with the U.S., came under selling pressure, EZ lost 30 cents at A$6.60, Peko 20 cents at A$8.20 and Queensland Mines also 20 cents at A$8.90.

Elsewhere in Minings, Hamersley dipped 10 cents to A$4.30, while on the Industrial boards, BHP retreated 25 cents to A$15.15 but Bond Holdings rose 10 cents to A$2.00.

Hong Kong

All stock exchanges, commodity markets and banks in Hong Kong were closed yesterday due to the proximity of Typhoon Joe, which was approaching the South China Coast.

Singapore

Properties, Tins and Plantations saw little activity, but Industrials and Banks were mainly firmer, and the Singapore Straits Times index improved 3.35 to a new seven-year peak of 568.14.

A local newspaper report of anticipated strong profits pushed assemblers Tan Chong ahead 35 cents to S$8.95 and Oriental Holdings up 14 cents to S$4.32 on heavy demand. National Iron advanced 40 cents to S$6.25. Revival of an old rumour of Supere Corporation taking over a finance company helped to spur on Supere 34 cents to S$3.50.

Malayan Banking gained 20 cents to S$12.10, Overseas-Chinese Banking 10 cents to S$12.30 and Overseas Union Bank 14 cents to S$4.28.

Among Hotels, Overseas Union Enterprise put on 50 cents to S$8.15, while Sealion rose 14 cents to S$3.20 and Seaview 9 cents to S$2.72.

Johannesburg

Gold shares closed mixed with an easier bias following a small volume. East Rand shed 75 cents at R36.25, but Western Holdings gained 100 cents at R86.50.

Mining Financials were mixed to firmer, with Anglos up 35 cents at R18.15. Platinums declined, but Collieries rose sharply and Industrials were mostly firmer.

NEW YORK

CANADA

Stock	July 21	July 18
Abitibi	20 1/8	20
Agnico Eagle	15	15 5/8
Alcan Alumn	36 3/8	35 1/4
Algoma Steel	34 1/4	34 1/2
Asbestos	35 1/2	35
Bk Montreal	29 5/8	28
Bk Nova Scotia	31 1/8	30 1/4

BELGIUM (continued)

July 18	Price Frs.	+ or −
Petrofina	5,000	....
Royale Belge	5,700	....
Soc Gen Banq	2,420	....
Soc Gen Belge	1,476	....
Sofina	3,500	....
Solvay	2,590	....
Traction Elect	2,515	....
UCB	1,320	....

HOLLAND

July 22	Price Fls.	+ or −
ACF Holding	72.2	−0.5
Ahold	68.7xd	+1.2
AKZO	23.9	+0.5
ABN	312.0	−1.5
AMEV	86.7	+0.2
AMRO	88.1	+0.4
Bredero Cert.	183	+1

AUSTRALIA

July 22	Price Aust. $	+ or −
ANZ Group	4.85	−0.05
Acrow Aust	1.00	....
Allstate Expl	1.70	....
Ampol Pet	1.35	+0.01
Assoc. Pulp Pap.	2.12	....
Audimco	0.26	−0.04
Aust Cons Ind	2.17	−0.06
Aust Guarant	1.33	....

JAPAN (continued)

July 22	Price Yen	+ or −
Kubota	577	
Kumagai	410	
Kyoto Ceramic	3,250	−20
Lion	391	+1
Maeda Cons	515	−3
Makita	1050	+30
Marubeni	383	+5
Marudai	818	
Marui	670	

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SINGAPORE

SOUTH AFRICA

GERMANY

SWEDEN

JAPAN

AUSTRIA

SWITZERLAND

BELGIUM/LUXEMBOURG

BRAZIL

Indices

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NEW YORK —DOW JONES

	July 21	July 18	July 17	July 16	July 15	July 14	1980 High	1980 Low	Since Cmpil'tn High	Since Cmpil'tn Low
• Industr'ls	928.67	925.98	915.10	204.44	901.54	905.55	928.67 (21/7)	759.13 (21/4)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	75.34	75.25	75.06	75.01	75.06	73.01	76.61 (25/6)	65.87 (28/3)	—	—
Transport	315.45	309.60	305.05	298.37	298.68	297.87	315.45 (21/7)	233.69 (27/8)	315.48 (21/7/80)	12.25 (8/7/32)
Utilities	114.17	114.28	114.68	114.57	114.06	114.68	116.88 (8/7)	96.04 (27/3)	165.62 (20/4/69)	10.52 (28/4/42)
TradingVol 000's	42,750	56,040	46,850	48,140	60,920	45,500	—	—	—	—

Day's high 933.88 low 916.58

	July 18	July 11	July 4	Year ago (approx
Ind. div. yield %	5.72	5.25	5.94	5.85

STANDARD AND POORS

	July 21	July 18	July 17	July 16	July 15	July 14	1980 High	1980 Low	Since Cmpil'tn High	Since Cmpil'tn Low
‡Indust'ls	158.40	157.90	137.06	154.85	134.44	135.61	158.40 (21/7)	111.09 (27/7)	158.40 (21/7/80)	3.52 (30/6/32)
§Composite	122.51	122.04	121.44	119.66	118.50	120.01	122.51 (21/7)	98.22 (13/2)	125.85 (11/1/73)	4.40 (1/6/32)

	July 16	July 9	July 2	Year ago (approx
Ind. div. yield %	4.88	4.97	5.07	5.52
Ind. P/E Ratio	8.02	7.90	7.92	7.87
Long Gov. Bond Yield	10.09	10.11	10.15	9.92

N.Y.S.E. ALL COMMON

July 21	July 18	July 17	July 16	1980 High	1980 Low
70.10	69.84	69.53	68.54	70.10 (21/7)	55.30 (27/3)

Rises and Falls	July 21	July 18	July 17
Issues Traded	1,901	1,901	1,877
Rises	969	968	1,069
Falls	577	577	452
Unchanged	356	366	562
New Highs	120	197	124
New Lows	1	4	1

MONTREAL

	July 21	July 18	July 17	July 16	1980 High	1980 Low
Industrial	395.84	392.27	381.27	387.77	425.80 (28/2)	325.21 (27/3)
Combined	364.58	361.52	359.89	357.38	378.90 (29/2)	296.90 (27/3)
TORONTO Composite	2170.6	2150.4	2135.9	2117.9	2192.6 (29/2)	1702.5 (27/3)

	July 22	July 21	July 18	July 17	1980 High	1980 Low
AUSTRALIA						
Sydney All Ord. (1936/59)	914.36	920.40	920.58	916.51	947.47 (14/2)	760.00 (2/1)
Metals & Minls (1936/59)	5656.66	5743.18	5760.42	5720.95	6580.95 (14/2)	4581.26 (26/3)
AUSTRIA						
Credit Aktien (2/1/62)	67.03	66.88	66.99	66.66	69.90 (7/1)	66.65 (23/8)
BELGIUM						
Belgian SE (31/12/65)	(c)	(c)	94.64	94.57	105.75 (11/2)	90.74 (31/3)
DENMARK						
Copenhagen SE (1/1/73)	85.64	83.27	82.71	82.39	86.74 (2/1)	74.78 (5/6)
FRANCE						
CAC General (29/12/61)	106.9	(u)	106.90	107.4	115.2 (14/2)	87.1 (3/1)
Ind Tendance (28/12/79)	109.6	109.1	109.10	109.2	110.7 (8/7)	95.80 (3/1)
GERMANY						
FAZ-Aktien (31/12/58)	236.60	236.61	234.38	234.95	238.88 (25/2)	212.73 (28/3)
Commerzbank (Dec. 1953)	746.5	744.2	740.90	742.4	749.2 (25/2)	667.0 (27/3)
HOLLAND						
ANP-CBS General (1970)	87.0	87.2	86.7	85.9	87.2 (21/7)	74.0 (27/3)
ANP-CBS Indust. (1970)	66.1	66.4	65.6	64.7	69.2 (11/1)	60.2 (28/6)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	1106.87	1090.84	1077.74	1106.37 (21/7)	738.0 (19/3)
ITALY						
Banca Comm. Ital (1972)	105.94	105.64	102.55	102.52	107.74 (20/6)	85.11 (2/1)
JAPAN						
Dow Average (16/5/49)	6836.10	6842.49	6819.79	6810.41	6904.61 (26/4)	6475.95 (27/3)
Tokyo New SE (4/1/68)	470.57	471.20	470.02	469.19	473.65 (23/6)	449.01 (10/3)
NORWAY						
Oslo SE (1/1/72)	125.55	127.13	128.41	127.82	144.79 (14/2)	110.12 (28/2)
SINGAPORE						
Straits Times (1966)	568.14	564.79	568.16	561.28	568.14 (22/7)	429.75 (3/1)
SOUTH AFRICA						
Gold (1958)	(u)	746.1	754.5	755.3	748.8 (8/7)	649.5 (13/6)
Industrial (1958)	(u)	561.2	557.7	558.8	561.2 (21/7)	456.0 (29/1)
SPAIN						
Madrid SE (28/12/79)	105.48	(c)	102.84	102.00	105.60 (19/7)	95.70 (16/5)
SWEDEN						
Jacobson & P. (1/1/58)	375.48	374.98	378.22	378.85	686.98 (8/2)	354.72 (17/1)
SWITZERLAND						
Swiss Bank Co. (31/12/58)	308.0	307.7	307.7	307.2	617.9 (11/2)	284.5 (22/4)
WORLD						
Capital Intl. (1/1/70)	—	148.6	149.3	148.0	148.6 (21/7)	120.5 (27/6)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Xerox	614,500	59 3/4	−1/4
City Investing	549,800	26 1/2	+3/4
Pepsico	514,800	24 1/2	−5/8
IBM	437,200	66	+7/8
JP Morgan	415,400	46 1/2	−1/8
Am. Tel. & Tel.	379,700	52 1/2	−1/4
ABC	365,100	31 1/2	−1/2
Sony	349,500	10 1/2	+1/8
Boeing	347,100	40 3/4	+1/8
Std. Oil Indiana	337,200	64 3/4	+1 1/4

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COMMODITIES AND AGRICULTURE

Trawlermen urged to act on imports

By Ray Perman, Scottish Correspondent

FISHERMEN in the North East of Scotland are calling for direct action by trawlermen to demonstrate to the Government the strength of feeling over cheap imports and the failure of EEC Ministers to agree a common fisheries policy.

Most of the boats in Peterhead, one of the main fishing ports of the area, have been tied up since Monday because quayside prices have fallen below the level at which skippers say they can fish profitably.

The Scottish Fishermen's Organisation, the producers association which controls prices, has been subsidising prices with a fund of £340,000 made available by the Government, but this money has now run out.

Prices in Peterhead fell to £3 per box for white fish, or 43p a stone, although merchants claim that these prices applied only to poor quality fish.

Mr. Willie Strachan, chairman of an ad hoc fishermen's committee set up in Peterhead, said they would be calling on all other ports in the UK to withdraw boats from the fishing grounds by Saturday to attend a meeting to discuss action.

Some skippers have suggested blockades of the main ports used by oil companies to service North Sea platforms.

Cuba hopes to boost sugar trade with Japan

CUBA HOPES to increase annual contracted sales of raw sugar to Japan to as much as 600,000 tonnes because of cheaper refining costs, in order to balance its trade deficit with Japan, Sr. Emiliano Lezcarno, President of the Cuban Sugar Corporation, said.

He told Reuters the objective of his visit to Japan was to secure a five-year contract with Japan for the supply of 600,000 tonnes of raw sugar annually after the present four-year contract, which includes the supply of 300,000 tonnes this year, runs out at the end of 1980.

Sr. Lezcarno said the high quality of Cuban sugar reduced refining costs making it competitive with producers geographically closer to Japan, such as Australia.

Reuter

Prospects of record UK harvest

BY RICHARD MOONEY

BRITISH FARMERS art likely ta harvest thslr biggest grain crop yet this year. The Home-Grown Cereals Anthority has estimatsd that if yields measure up to the average level over the last three seasons ths crop will total 17.8m tonnes, comfortably beating last year's 17.3m tonnes record. Even if yields remained at last year's level, which wss depressed because the late spring delayed sowings, the crop would be likely to smount to nbout 17.6m tonnes.

"While the wsather between now and completion of the harvest will datermine the fingl outcoms, current assessments indicate that the UK 1980 careals harvest is likely to be another large ona," the HGCA said in its weekly bullstin, published yesterday.

It said the total planted ares was up 1 per cent with the wheat area gaining 3 per cent, and aats 10 per cent, and harley losing 1 per cent.

If the wheat yield equalled the 1979 level a record 7.4m tonnea would be harvested, while three-year average yields would givs a total of 7.3m tonnes. For barley a 1979 yield wauld result in a 9.5m tanacs crap against 9.8m tonnes if the yield equalled the three-year average.

The HGCA expected a surplus of aronnd 1.9m tonnes of cereals to be available for export after meeting domestic requirements.

If the quality is good enongh between 2.6m-3m tonnes of the wheat could go to the milling industry; abont 3.5m tonnes for animal fsed; and 400,000 tonnea for feed and othsr uses. The balance available for export would he about 650,000 tonnes.

Maltsters' and distillers' usage of barley waa liksly to be around 1.8m tonnes, with 6m-6.2m tannes going to snimal fesd and 500,000 tonnes to other domestic uses. Expart availability for barley wauld be about 1.25m tanoes.

If these expectations were realised, said the HGCA, the only factar which could lift UK prices above EEC suppart levels would be exparta. Export levels would depend an the availability of markets, EEC export policy and the campetitiveaess of UK grain. World supply and demand prospects were uncertain, it gdded, because af prolonged dry weather in the U.S. and the passihility of the USSR grgin embargo heing lifted.

If markets were availshle, the level of EEC export refunds would be critical and the grain used to fill export commitments would be the cheapest available in the EEC. "Consequently the price competitiveness of UK grein, as against other member states' grains, will be impartant," the HGCA said.

● THE THAI Cammerce Ministry bas approved two mgize sales to the Soviet Union totalling 23,000 tanaes after receiving a pledge the grain will not be shipped to Vietnam, a ministry official said, reparts Reuter from Bangkok.

The ministry suspended all trade with Vietnam fallawing an incursion of Vietnamese troops into Thai villages on the Thai-Kampochean border at ths end of June.

Meanwhile Baard of Trads statistics show 88,356 tonnes of maize were shipped to the Soviet Union out of s total of 883,936 tonnes exported by Thailand from the beginning of the year np to July 12.

INDONESIAN HARDWOOD

Plan to boost log processing

BY RICHARD COWPER IN JAKARTA

INDONESIA, the world's largest exparter of tropical hard woods, earned a record $1.9bn in timber exports in 1979/80 — up aver 70 per cent on tbe previous year. The increase in fareign exchange earninga, which came in spite of a 5 per cent drop in export volume, was due to the daubling of tropical hardwood prices in the early part of the year.

Log production climbed 8 per cent from 25.5m cubic metres in 1978 to a record 27.5m cubic metres in 1979, according to the Indonesian Timber Associetion.

Exports, however, declined from 18.5m cubic mstres to 17.6m cubic metres partly due to Government efforts to force compgnies to process timher in Indonesia rather than merely exporting uncut logs.

Indonesia, which is the world's last remaining source of sizeable quantities of tropical bardwoods, hgs for some time been attempting to promote a policy of extrgcting the maximum added value from its lags through the creation of a viable processing industry.

But it has heen bampered in its efforts by the fact that it has toa few personnel to police the 45m bectares currently under explaitatian, and, because aa many af the cancessians are in the haads of members of the Indonesian elite, enfarcing government regulations has been daubly difficult.

In a bid ta shaw that it means husiness, three Indonesian Ministers — Radius Prawiro, Minister for Trade and Co-operatives, Professor F. Hsbisaoero, Minister of Agriculture and Mr. A. R. Foeboed, Minister for Industry hsve now issued a joint decree stating thgt all concessions whicb have heen opersting for more than 7 years muat sell 60 per cent of the logs on the domestic market, wbile 40 per cent of log production must be processed domesticslly.

While some foreign timber companies have been wringing their hands in despair, arguing that the Indonesign market juat cannot absorb that smount of logs, it is likely that those which have ahown themselves willing to invest in saw mills and plywood mills will continue to be able ta expart mare than 40 per csnt of their production.

The measure is likely ta be used by the gavernment as a method af putting greater pressure an thase wbo have sa far fsiled to meet the government's expectatians an setting up processing plants.

Domestic consumption of logs laat year wss around 10m cubic metres, some 36 per cent of total log production of 27.5m cubic metres. With output this year expected to climb to 30m cubic metres, if producers were to follow the letter of the law some 18m cubic metres would bave to be sold on the domestic market, an impossible jump of 80 per cent over last year.

In the event, the Indonesian government is likely to prove flexible, provided that fareign timber companies in particular show that they heve emharked on investment plans to huild processing plants within Indonesia.

Upturn in lead prices seen

BY OUR COMMODITIES STAFF

CURRENT INDICATIONS point to an upturn in lead prices towards the end of the summer, gccording to a report published by Inter Commodities yesterday.

The cash lead price rose £5 to £343 a tonne on the London Metal Exchange, hut this is still well helow the £380 a tonne level many primary smelters claim they need to break even. With charts showing that ths metal is in an area of long-term support, leed prices can be considered to be historically low and "very cbeap" at current prices, the report says.

Yesterday's lead price was £236 below this year'a peak level reached in March.

The Inter report's authors estimate a lead surplus of about 100,000 tonnes this year. They put refined production nt 4m tonnes, nnchanged on 1979, consumption nt 3.75m tonnes and exports to Eastern Bloc countries at 150,000 tonnes. But s return to halance is expected for 1981 with refined production rising to 4.1m tonnes, consumption to 3.95m and Eastern Bloc purcbases remaining unchanged.

"Current low prices and the decline in industrial activity sbould cause a slowdown in the flow of scrap supply," the report says. "A pick-up in the automobile industry from a depressed level and an average winter should lead to a bounce hack in battery sales and petrol consumption—two important uses of lead. An upturn in battery demand, a cantlnuation of lsrge Russian purchases and n reduction in scrap supply should cause a turnround in the lead market in the 1980-81 winter.

"Given that world stocks of this metal are still comparatively low, a small change in the lead supply-demand aituation should cause e large movement in prices."

The report points out thst the mein use of lead is for automohile end other storage hatteries, which now account for about 50 per cent of consumption. The second lergest market is as an anti-knock additive in petrol, which absarbs another 20 per cent.

As g result of the fall in car sales in the U.S. and Europe and the mild winter in the northern hemisphere, lead cansumption is forecast to be significantly lower than in 1979. In addition cuts in fuel usage because of high prices and reduced levels of lead additive to reduce air pollution have reduced lead consumption further.

Guernsey tomatoes plea

BY A CORRESPONDENT

A £1m s year plan to establish a support price schems next year for Guernsey's 700 commsrcial tomato growers at a cost of up to £1m is to go before the island parlismsnt next week.

The move follows a disastrous season for the local tomato industry in 1979 and continued poor returns in the first half of this year.

There bas been increasing pressure from island growers for measures to counteract the cheap fuel and low interest rates, enjoyed hy EEC tomato producers, especially ths Dutch.

Guernsey's Bailiff, Sir John Loveridgs, has asked the Government to protect the industry against Dutch competition.

The Guernsey Growers' Associstion has also appealed directly to Peter Walker, Minister of Agriculture, to curb Dutch imports—an unprecedented move since the island is not a full member of the EEC and Holland is. Guernsey's Committee for Horticulture bas warned thet if the experience of 1979 is repeeted this year a further 120 acres of glasshouse—some 25 per cent of the tomato-growing area—could go out of production.

EEC milk levy attacked

By Our Commodities Staff

THE INCREASED prodnction tax to be paid hy EEC milk prodneers "can only exacerhate the desperete situation faced by (British) dairy farmers," Mr. Richard Bntler, president of the National Farmers' Unian, declared.

Speaking at the Royal Welsh Shaw at Builth Wells, Mr. Bntler said tbis week's past wonld reveal to milk producers just how mnch the EEC co-responsihility levy on milk will cost them. Milk cheqnes distributed hy the Milk Marketing Board this week will show thet 2 per cent of the maney has been deducted in order to comply with the provisions of the EEC levy intended to rednce the milk surplns, he said.

Community agriculture ministers agreed to the quadrupling of the levy at a meeting in Brussels earlier this year.

"This levy means that the 4 per cent increase in common price determined by the Council of Ministers brings nothing to British milk prodncers."

He said he would ask the Milk Board to suspend payment of the levy if there was any evidence that other countries were withholding payment. "We will be keeping a very careful eye on what bappens in the rest of Europe," he added.

Australia expects bumper farm exports

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIAN agricultural exports are expscted to reach record levels in the 1980-81 year which began on July 1, but overall the rural economy will be slightly lesa huoyant than lest season.

The Australien Bureau of Agricultural Economics (BAE) has predicted in its forecast of trends in the rural sector that the gross velue of agricultural production during 1980-81 will riss hy A$530m (£265m) to just over A$12hn (£6bn)—an increase of 4.5 per cent.

However, costs are forecast to rise hy more than this and when inflation is taken into account the BAE says value of production in real terms is estimated to fall by 11 per cent.

The hureeu says thet wbile this represents en erosion of the buoyant conditions during the past two years, there have only been five years since the early 1950s when real net velne of agriculture was higher.

Wheat is expected to go close to the record levels of the pest two years with a predicted slight drop in production not being completely off-set hy higher prices. World wheet demand is expected to remain high and prices to hold their recent levels at around A$145 a tonne.

Coarse grain acreage is expected to increse by 6 per cent, ogts being the only grain not expanding.

The BAE predicts cattle seleyard prices to pick up substantially on the depressed prices for the June Quarter and for 1980-81 has forecast increased value of around 14 per cent, key fectors heing en improvement in the U.S. market and further reduction in local slaughter. For the first time since 1976 cattls numbers are expected to rise—by an estimated 2 per cent.

Mutton production is expected to fall by 14 per cent as flock rebuilding efter the aummer drought contimues. However, in spite of reduced slaughterings, sheep numbers are expected to decline by 2 par cent oo last year because of combined effects of reduced lembing percentages following the drought and increased livs sheep exports.

The BAE expects wool prices to remain at around 390 cents a clean kilo. A downturn in the economies of wool-buying countries is expected to be offset to some extent by bigher prices for synthetics and a predicted 2 per cent drop in world wool supply.

Australie expects to have a 5 per cent drop in greasy woal production this year over last.

Dairy produce should increase in value by 6 per cent, and catton plantings increase hy 25 per cent. Gross value of fruit production is expected to drop by 7 per cent.

Sugar hgs the brightest outlook with en estimated rise in gross value of 50 per cent to a record $A790m. In spite of recent uncertainty on prices, the BAE forecasts an average prics for the year of 30 U.S. cents a pound, compared with 17 U.S. cents a pound last year.

Australian wool forecast up

CANBERRA—The Wool Production Forecasting Committee said it raised its estimate of 1980-81 Australian wool output to 686.4m kilos greasy from its May forecast of 684.0m.

Reviewing the recently completed 1979-80 seesoo, the committee said it estimated wool output totalled 720.0m kilos greasy compared to its May estimate of 722.0m kilos.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Moved higher on the London Metal Exchange in good two-way business. Forward metal was [illegible] £955 in pre-market trading, in line with American markets, but dipped on the open in London at that level. The morning was characterised by general [illegible], but the market attracted support just above the £950 level, with a low for the day of £952. Good buying at that level lifted the price later in the day, and forward metal closed on the late Kerb at the day's high of £961. The contango narrowed to £18. Turnover £23,450 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £938.5, three months £953, 52.5, 53, 52.5, 54, 55, 54.5. Cathodes, cash £911, three months £932, 33. Kerb: Wirebars, three months £955, 55.5, 56. Afternoon: Wirebars, three months £957, 56.5, 57, 58, 57.5, 56, 56.5, 57, 58, 57, 58, 57.5. Kerb: Wirebars, three months £960, 61, 60, 59, 60, 61, 60, 61, 60.5, 61.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	937.5-8	+7	942-3	+9
3 months	954-.5	+6	957-8	+6.25
Settlem't	552	+7	—	
Cathodes				
Cash	—		913-5	+6
3 months	911.5-2	+7.25	934-8	+5.5
Settlem't	533-4	+3.62	—	......
U.S. Prod	518	+7	*97-101	......

TIN—Lost ground in fairly quiet trading. The upward trend in copper and continued nervousness over the Bolivian situation gave rise to good bear-covering, but after trading in the pre-market between £7,300 and £7,320, some profit-taking took forward metal down to £7,275. Renewed profit-taking in the morning Rings lowered the price even further, with hedge selling reported around £7,230. The close on the midday Kerb was £7,250, with some narrowing of the backwardation. £7,220 was the high in the afternoon Rings, and the metal lost further ground to close on the late Kerb at £7,200. Turnover: 1,110 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7260-70	—40	7230-50	—57.5
3 months	7550-60	—18	7900-10	—45
Settlem't	7270	—40	—	......
Standard				
Cash	7260-70	—40	7930-50	—55
3 months	7250-60	—19	7900-10	—45
Settlem't	7270	—40	—	......
Straits E.	‡32167	+42	—	......
New York	—	......	—	......

Morning: Standard, cash £7,260, three months £7,280, 70, 60, 30, 50. Kerb: Standard, three months £7,260, 50, 45. Afternoon: Standard, three months £7,220, 10, 15, 10. Kerb: Standard three months £7,200.

LEAD—Drifted lower in reaction to the previous day's strong advance. Forward metal moved between £355 and £358 in pre-market trading, and this proved to be the range for the morning Rings as well, with the close at the midday Kerb slightly lower at £354.5. Afternoon profit-taking took the price as low as £352, but the metal held up quite well, buoyed by the sentiment in copper, and some long-term short-covering from one quarter prompted others to follow suit, with the result that the close on the late Kerb was £354. Turnover: 12,525 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	347.5-8	+8.75	348-4	+5
3 months	357-8	+6	453-4	+4
S'ment	348	+6	—	......
U.S. Spot	—	......	*34-5	......

Morning: Cash £348, 47.5, three months £356, 57, 55, 56, 57, 58, 57.5. Kerb: Three months £355, 54. Afternoon: Three months £354, 52, 53. Kerb: Three months £354, 54.5, 54.

ZINC—Unchanged in much quieter trading. Forward metal traded between £306 and £309 all day and was finally quoted on the late Kerb at £307.5. Turnover: 5,225 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	227-.5	—1.25	527-8	+2
3 months	306-7	—3	307-8	+1
S'ment	557.5	—1.5	—	......
Primw'ts	—	......	*35.5	......

Morning: Three months £307. Kerb: Three months £307. Afternoon: Cash £297, three months £306, 07, 08. Kerb: Three months £308, 07, 07.5.

ALUMINIUM—Moved higher in fairly quiet trading. The backwardation remained at £22. Forward metal traded within the range of £715 to £721 all day, closing on the late Kerb at £721. Turnover: 4,975 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	737-.5	+19.5	740-6	+7
3 months	717-8	+3	729-3	+8

Morning: Three months £717, 19. Kerb: Three months £716. Afternoon: Three months £718, 20, 21, 22. Kerb: Three months £721, 22, 21.

NICKEL—Lost ground in very quiet trading. Forward metal, opened lower at £2,825, and drifted during the morning Rings to close the midday Kerb at £2,825. The low for the day was £2,810, and the close on the late Kerb was £2,817.5. Turnover: 108 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2785-800	—5.5	2790-9	—13
3 months	2815-25	—3.5	2815-22	—11.5

Morning: Three months £2,825, 20.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

Silver was fixed 5.4p an ounce lower for spot delivery in the London bullion market yesterday, at £6.486. U.S. equivalents of the fixing levels were: spot $15.453, down 11.2c; three-month $15.802, down 14.8c; six-month $16.208 down 15.4c; and 12-month $17.079, down 13.9c. The metal opened at £6.50-£6.50 ($15.50-$15.70), and closed at £6.50-£6.80 ($15.55-$15.75).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unofficl'l	+ or —
Spot	643.60p	—5.4	656.0p	—4
3 months	673.70p	—6.6	681.5p	—4.5
6 months	685.40p	—7.10	—	......
12 months	740.0p	—7	—	......

LME—Turnover 291 (103) lots of 10,000 ozs. Morning: three months 787, 75.5. Kerb: three months 675, 75.5. Afternoon: three months 680, 79, 81, 82, 83. Kerb: three months 682.

COCOA

A rather aimless performance today with futures trading within a narrow range and closing at levels unchanged to Monday evening. Once again some limited sales were made by producers, however consumers stayed on the sidelines, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
July	1051-55	+5.0	1055-48
Sep	1070-71	—0.55	1075-61
Dec	1113-14	—3.0	1114-04
March	1153-54	......	1154-44
May	1176-77	+1.0	1175-66
July	1154-57	—0.53	1190-88
Sept	1214-20	+9.0	1215-10

Sales: 1,511 (1,783) lots of 10 tonnes.

COFFEE

During a quiet morning session Robustas drifted lower in light volume, reports Drexel Burnham Lambert. In mixed activity which included some light producer interest prices fluctuated in a fairly narrow range after initial weakness and maintained a steady tone throughout the rest of the afternoon.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1560-95	—80.0	1303-75
Sept	1520-24	—35.5	1340-95
Nov	1359-40	—38.5	1565-25
January	1358-57	—56.0	1378-44
March	1386-35	—29.5	1545-25
May	1323-44	—55.0	1335-25
July	1340-50	—87.0	1580-55

Sales: 5,707 (5,457) lots of 5 tonnes.

ICS Indicator prices for July 21 (U.S. cents per pound). Other Mild Arabicas 157.00 (155.67). Robustas ICA 1976 149.00 (148.00). ICA 1968 149.25 (148.25). Unwashed Arabicas 207.50 (same). Comp. daily ICA 1968 175.92 (175.38).

GRAINS

LONDON GRAIN FUTURES—The market opened 10p lower. Hedge selling pressure eased values further on wheat to close 10p-20p lower in fairly quiet trade. Barley saw a good volume, the main trade being in the Sept/Nov. switch with values easing 10p-20p on the day, reports Acli.

Mnth	WHEAT Yesterday close	+ or —	BARLEY Yesterday close	+ or —
Sept.	95.75	—0.20	81.05	—0.20
Nov.	95.15	—0.10	85.25	—0.15
Jan.	106.15	+0.05	99.00	—0.15
Mar.	106.50	—0.15	102.40	—0.19
May.	109.80	—0.15	105.80	—0.16

Business done—Wheat: Sept. 95.85-95.65, Nov. 99.20-99.00, Jan. 103.15-102.90, March 106.55-106.35, May 109.80-109.70. Sales 117 lots of 100 tonnes. Barley: Sept. 81.20-80.95, Nov. 95.40-95.10, Jan. 99.20-98.95, March 102.50-102.30, May 105.65-105.65. Sales: 294 lots of 100 tonnes.

IMPORTED—Wheat: U.S. Dark Northern Spring No 2 14 per cent July 96.75, Aug. 98.25, Sept. 99.25 transhipment east coast seller. U.S. Hard Winter 13½ per cent July 92.25, Aug. 94.25 transhipment east coast. English Feed fob Sept. 99.50, Oct. 102, Nov. 103.25 east coast sellers. Maize: French Aug. 124 seller transhipment east coast. S. African Yellow July/Aug. 80.00. Barley: English Feed fob spot 93.75, early-Aug. 96.50 paid south coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley (new crop): S. East 86.30, S. West 88.00, W. Midlands 86.50, N. West 89.40. The UK monetary coefficient for the period July 28-31 is expected to remain unchanged. For the period August 1-3 it is expected to be 0.983.

RUBBER

The London physical market opened slightly steadier, with fair demand throughout the day, closing firm. Lewis and Peat reported an fob price for No. 1 RSS in Kuala Lumpur of 288.5 (286.25) cents a kilo and SMR 20 at 251.5 (250.5) cents (August).

No. 1 R.S.S.	Yest'rdays Close	Previous Close	Business Done
Aug.	58.00-58.20	57.10-57.50	58.00-57.75
Sept.	59.00-59.30	58.20-58.50	59.10-58.50
Oct-Dec	61.20-61.50	60.30-60.40	61.40-60.20
Jan-Mar	64.50-64.60	63.50-63.60	64.60-63.60
Apr-Jne	67.50-67.80	66.50-66.60	67.70-66.60
Jly-Sept	70.00-70.10	69.10-69.20	70.10-69.40
Oct-Dec	72.60-72.70	71.60-71.70	72.70-71.60
Jan-Mar	75.00-75.10	74.10-74.20	74.80-74.40
Apl-Jne	77.60-77.90	76.60-77.00	77.20

Sales: 377 (99) lots of 15 tonnes, 21 lots of 5 tonnes.

Physical closing prices (buyer) were: Spot 56.75p (56.25p); Aug. 61.75p (61.00p); Sept. 61.75p (61.00p).

SOYABEAN MEAL

The London market opened with losses of £1-£2, reports T. G. Roddick. Prices found good support on technical and commission house buying and held steady at lower levels, finishing with losses of £1.50-£2.00.

	Yest'rday Close	+ or —	Business Done
	£ per tonne		
August	111.50-12.0	—2.75	112.50
October	112.90-15.2	—2.25	116.50-12.50
December	116.40-16.5	—1.75	116.40-16.00
February	118.40-18.8	—1.85	119.00-18.50
April	120.20-21.0	—1.55	—
June	129.50-24.0	—5.25	—
August	121.00-26.0	—9.25	—

Sales: 134 (203) lots of 5 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £265.00 (same) a tonne cif for July/Aug./Sept. shipment. White sugar daily price was £305.00 (£307.00).

The market was contained within a £5 range for most of the day in quiet trading conditions, reports C. Czarnikow.

No. 4 Con. tract	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
Aug.	279.00-74.00	273.00-75.60	273.00-71.00
Oct.	284.05-88.00	298.00-99.50	298.25-92.00
Jan.	598.50-09.00	510.00-10.45	510.00-08.00
Mch.	614.50-14.60	517.75-18.25	618.50-11.00
May.	311.50-12.00	315.25-16.75	616.00-10.00
Aug.	308.00-09.00	309.95-19.95	315.00-09.50
Oct.	300.00-06.00	305.00-09.75	305.50-04.00

Sales: 2,761 (3,904) lots of 50 tonnes.

No. 2 CONTRACT—Close (in order buyer, seller, business, sales): Aug. 278.00, 280.00, 282.00-277.50, 491; Oct. 303.00, 304.00, 308.50-300.00, 1,032. Sales: 1,523 (1,865).

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.8 (same) a tonne for home trade and £356.50 (£362.00) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for July 21: Daily price 26.72 (27.08); 15-day average 27.52 (27.86).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Aug. 360, 366, 364-363, 4; Oct. 367, 370, 368-365, 4; Dec. 368, 373, 370-368, 15; Jan. 369, 373, 370-368, 12; March 370, 377, 377-374, 14; May 377, 380, 378-378, 13; Aug. 379, 381, 380-379, 19; Oct. 380, 382, 382-380, 11; Dec. 380, 382, 381, 8. Sales: 100.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per pound. July unquoted 451.5, 461.5-456.0, 59; Oct. 456.0, 457., 458.0-456.0, 15; Dec. 457.5, 458.0, 450.3-458.0, 30; March 462.0, 463.0, 464.0-463.3, 23; May 464.0, 465.0, 466.0-465.0 13; July 466.0, 467.0, 466.0-466.0, 15; Oct. 465.5, 467.5, 467.0-467.0, 3; Dec. 465.5, 468.0, 468.0-468.0, 5. Sales: 193.

POTATOES

LONDON POTATO FUTURES—The market traded in a narrow range all day, with fine weather producing some sellers. Trade buying held values to near overnight levels, but the April position lost 50p after closing high last night, reported Coley and Harper. Closing prices: Nov. 40.00 —10 (high 40.30, low 39.80); Feb. 46.90 —10 (high 47.10, low 46.90); April 53.80 —50 (high 54.20, low 53.80). Turnover: 50 (38) lots of 40 tonnes.

COTTON

LIVERPOOL—No spot or shipment sales were recorded for the second trading day in succession, leaving the offtake so far this week at a static level. Operators were again hampered by high costs and avoided commitments. Even the more sought after types were in extremely small demand.

JUTE

JUTE—July c and f Dundee: BWC £210, BWD £180, BTB £252, BTC £218, BTD £189. Antwerp July: BWC $490, BWD $415, BTB $510, BTC $515, BTD $443. Jute goods c and f Dundee: July 40 in. 10 oz. £12.20, 40 in. 7½ oz. £9.56. B Twills £30.70.

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SMITHFIELD—pence per pound. Beef: Scotch killed sides 63.0 to 67.0; Ulster hindquarters 73.0 to 78.0, forequarters 42.0 to 45.0; Eire hindquarters 73.2 to 76.2, forequarters 41.8 to 43.5. Lamb: English small 57.5 to 63.2, medium 57.0 to 61.0, heavy 53.2 to 57.8; Imported frozen NZ pl 61.0 to 62.0, pm 56.0 to 59.0. Pork: English, under 100 lbs 41.0 to 48.0, 100-120 lbs 39.0 to 47.5, 120-160 lbs 38.0 to 45.5.

MEAT COMMISSION—Average fatstock prices at representative markets on July 22. GB—Cattle 75.29p per kg lw (+0.05). UK—Sheep 133.60p per kg est dcw (+1.64). GB—Pigs 66.38p per kg lw (+0.30).

★

GRIMSBY FISH—Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shell cod £4.60-£5.40, codlings £2.40-£3.10. Large haddock £3.30-£4.00, medium £3.30-£4.00, small £2.40-£2.90. Large plaice £6.00, medium £5.20-£5.80, best small £4.20-£5.00. Skinned dogfish (medium) £7.00. Rockfish £2.80. Reds £1.80-£2.20. Saiths £1.20-£1.80.

★

COVENT GARDEN—Prices in sterling per package except where otherwise stated: Imported Produce: Oranges—Brazilian: Navels 3.00-4.00; Moroccan: 64/113s 3.00-4.00; Cyprus: Valencia Lates 1.00-2.50; Californian Sunkist: Valencia Lates 72/113s 4.80-8.00; Outspan: Protea/Navels 2.50-5.15; Jaffa: 168s 1.50. Lemons—Italian: 100/150s 4.50-4.80; Spania: Trays 25/45s 1.80-2.40, boxes 4.50-6.00; Outspan: Trays 35s 3.00. Grapefruit—Outspan: Marsh Seedless 4.05-4.95, Rose 4.50-5.00. Tangerines—Brazilian: Honey 80/125s per box 7.50. Apples—New Zealand: Red Dougherty 12.00-13.00, Sturmers 11.50-11.80; Australian: Golden Delicious 10.00; S. African: Golden Delicious 12.00-12.30, Granny Smith 11.40-11.80, Yorks 11.00-12.00; Dutch: 22-lb Golden Delicious 4.20; French: 40-lb boxes, Golden Delicious 138/198s 9.50-10.50, 20-lb 4.80-5.50; Italian: Jonathans/Romes 40-lb 9.50. Pears—Spanish: per pound Limoeira 0.13-0.15; French: Guyot, 28-lb 4.70-4.80; Chilean: Winter Nelis 9.00. Peaches—Italian: 1½-trays 2.30-4.00; French: 2.00-2.40; Greek: 1.40-2.00. Nectarines—Italian: 4.00-5.00. Plums—Spanish: Santa Rosa 1.80-2.80, Gaviota boxes 2.80-3.20, Burbanks 1.80-2.40. Apricots—Spanish: 2.40-3.00; Greek: 4.50-5.00. Grapes—Per pound Cyprus: Cardinal 0.35-0.45, Perlette 0.50, Sultana 0.60. Melons—Israeli: Ogen 3.00-4.00; Spanish: Ogen 3.30, Yellow 10-kg 2.60-3.00. Water-Melons—Spanish: 2.20. Bananas—Jamaican: 28-lb, per pound 0.17. Tomatoes—Dutch: 2.40-2.60; Guernsey: 2.80-3.00; Jersey: 2.60; French: 12-lb 2.20.

PRICE CHANGES

In tonnes unless otherwise stated.

	July 22 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1779/1760	....	$1700/20
Copper			
Cas w'bar	£942.5	+8	£849.5
3 mths	£957.5	+5.25	£877.25
Cash Cathode	£914.5	+5	£824
3 mths	£935	+5.5	£854
Gold troy oz	$614.5	—4	$604.5
Lead Cash	£343	+5	£321
3 mths	£355.5	+4	£330.5
Nickel	£3,248.55	....	£3,248.55
Freemkt (cif) lb	925/510c	....	295/395c
Platin'mtr'y oz	£188.50	....	£182.50
Free mkt	£254.55	+2	£271.65
Quicksilvert	$385/405	....	$380/390
Silver troy oz	648.60p	—5.4	682.25p
3 mths	673.70p	—6.8	688.20p
Tin Cash	£7,240	—55	£7,352.5
3 mths	£7,206	—45	£7,302.5
Tungsten22.04lb	$142.55	....	$135.82
Wolfrm 22.04 lb	$146/148	....	$143/145
Zinc cash	£287.5	+8	£284.5
3 months	£307.5	+1	£307.25
Producers	$780	....	$780
Oils			
Coconut (Phil)	$645x	....	$650
Groundnut	:	....	:
Linseed Crude	£413	....	£405
Palm Malayan	$547.50v	—22.5	$560
Seeds			
Copra Philip	$465r	—10	$435
Soyabean(U.S.)	$311x	....	$270.80
Grains			
Barley Futures	£95.25	—0.15	£95.45
Maize			
French No3AM	:	....	:
Wheat			
No.1 Red Spg.	:	....	:
No2HardWint	£92.25	—2.05	:
Eng. Milling	:	....	:
Other commodities			
Cocoa ship't	£1,116	—1	£1,180
Future Sept	£1,070.5	—0.50	£1,124.5
CoffeeFt Sept	£1,398	—35.5	£1,556.5
Cotton A Index	90.50c	—0.3	83.40c
Rubber (kilo)	56.75p	+0.5	58.50p
Sugar (Raw)	£265	....	£322
Woolt'ps 64s kl.	288p kilo	....	291p kilo

u July-Aug. s Sept. w Aug. x Aug.-Sept. z Indicator. § Buyer. ‡ Per 276-lb flask.

AMERICAN MARKETS

NEW YORK, July 22.

THE LIVESTOCK markets rallied on the strength in cash live cattle prices. Cotton still under the influence of weather sold off sharply. Cocoa benefited from light trade buying and finished moderately higher; warm weather in Brazil put the coffee market sharply lower. Sugar was steady on trade buying and closed higher. Gold and silver rallied sharply on technical buying and fears of accelerating U.S. inflation. Copper was very strong as rumours appeared indicating a long strike in the mines. Late sell off pushed soyabeans into heavy losses, while maize was mixed and wheat finished moderately higher, reported Heinold.

Potatoes (round whites)—Nov. 87.0-87.5 (89.0), March 118.0-119.0 (121.4), April 148.0-149.5.

Sugar—No. 11: Sept. 28.95-29.05 (28.35), Oct. 29.60-29.75 (29.00), Jan. 30.20-30.60, March 31.20-31.35, May 30.90, July 30.40, Sept. 29.65-29.85, Oct. 29.45. Sales: 7,801.

Tin—775.00-789.00 asked (780.00-790.00).

CHICAGO, July 22.

Lard—Chicago loose 22.00 (same). New York prime steam unavailable.

Live Cattle—Aug. 71.90-71.95 (70.52), Oct. 69.50-69.40 (68.20), Dec. 70.10-Jan. 70.65, Feb. 71.00-71.20, April 72.60-72.70, June 73.95-74.07.

Live Hogs—Aug. 42.20-42.10 (42.15), Oct. 40.52-40.55 (40.37), Dec. 43.85-43.70, Feb. 47.15-47.00, April 46.35, June 49.25, July 49.40, Aug. 49.30.

‡‡Maize—July 315¼-315½ (317), Sept. 319-318½ (318¾), Dec. 326½-328, March 336-336¾, May 342, July 345½-344½.

Pork Bellies—July 40.30-40.50 (41.60), Aug. 39.80-40.05 (40.27), Feb. 55.95-56.15, March 56.15, May 56.85-57.00, July 56.70, Aug. 56.05.

†Soyabeans—July 757 (759), Aug. 743-740 (761), Sept. 752-750, Nov. 766-763, Jan. 773-775, March 786-788, May 789, July 791.

‖Soyabean Meal—July 203.0-203.2 (201.8), Aug. 200.0-200.5 (204.7), Sept. 203.0, Oct. 206.0-205.0, Dec. 210.0-209.2, Jan. 211.5-211.0, March 216.0-215.5, May 217.0-217.5, July 218.5-219.0, Aug. 219.0-220.0.

Soyabean Oil—July 27.15 (27.12), Aug. 26.80-26.85 (27.19), Sept. 27.05, Oct. 27.20-27.10, Dec. 27.40-27.35, Jan. 27.30, March 27.50-27.45, May 27.45, July 27.50-27.55, Aug. 27.55-27.60.

†Wheat—July 434 (429), Sept. 442½ (437), Dec. 458-459, March 469½-470, May 472, July 472½.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ £ per 1,000 sq. feet. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, July 22.

Wheat—U.S. No. 2 Dark Hard Winter, 13.5 per cent, July $198, Aug. $203. U.S. No. 2 Red Winter July $188, Aug. $191, Sept. $193. U.S. No. 2 Northern Spring, 14 per cent, July $209.50, Aug. $211.50, Sept. $213, Oct. $215.50, Nov. $218.50, Dec. $224. Rest unquoted.

Maize—July $157, Aug. $156, Sept. $155.75, Oct.-Dec. $159.50, Jan.-March $165.75.

Barley—Aug. $171.50, Sept. $173.50, Oct. $175.50.

Soyabeans—U.S. Two Yellow Gulfports July $307, Aug. $308, Sept. $310, Oct.-Nov. $317, Dec. $319.50, Jan. $323.50, Feb. $326.50, March $328.50, April $329.50, March $330. Argentine Aug. $298, Sept. $298.50.

Soyameal—44 per cent protein U.S. afloat $237, July $237, Aug. $247, Sept. $249, Oct. $261, Nov.-March $263. Brazil Pellets afloat $259, July $260, Aug. $263, Sept. $266, Oct. $271, Nov.-March $263. Brazil Pellets afloat $259, July $260, Aug. $263, Sept. $266, Oct. $271, Nov.-March $260.

PARIS, July 22.

Cocoa (FFr per 100 kilos)—July 990, Sept. 995-1015, Dec. 1045-1055, March 1070-1278, May 1085, July 1095. Sales at call 4.

Sugar (FFr per 100 kilos)—Oct. 2935-2940, Nov. 3010, Dec. 3015-3040, March 3140-3180, May 3090, July 3070, Aug. 3060, Oct. 3040. Sales at call 21.

INDICES

FINANCIAL TIMES

July 21	July 18	M'nth ago	Year ago
273.51	278.51	266.06	288.55

(Base: July 1, 1952=100)

MOODY'S

July 21	July 19	M'nth ago	Year ago
1185.2	1181.0	1154.3	1090.0

(December 31, 1931=100)

DOW JONES

Dow Jones	July 21	July 19	Month ago	Year ago
Spot	426.20	453.17	435.47	410.12
F'tur's	442.27	442.20	443.89	418.52

(Average 1924-25-26=100)

REUTERS

July 22	July 21	M'nth ago	Year ago
1689.1	1705.4	1576.5	1548.7

(Base: September 18, 1931=100)

Equity leaders fall progressively after firm start and index closes 9.3 down at 486.7—Gilts also lower

Account Dealing Dates
Options

*First Dealings	Declarations	Last Dealings	Account Day
July 14	July 24	July 25	Aug. 4
July 28	Aug. 7	Aug. 8	Aug. 18
Aug. 11	Aug. 28	Aug. 29	Sept. 8

* "New time" dealings may take place from 9 am two business days earlier.

The Governor of the Baok of England's warning that last mooth's ending of corset controls could accelerate money supply growth was a sobcring thought for Loodoo stock markets yesterday. Gilt-edged securities at the start were called easier, often the case immediately ahead of applications for a new tap atock; lists for the further £1bn tranche of Treasury 11¾ per cent 1991, payable £20 at teoder, close at 10.00 am this morning. But little selling developed and most longer-dated issues ended above the day's lowest to close with losses extending to ½. Tight money conditions were again an inhibiting factor among the shorts, which eased by about $\frac{3}{16}$.

Leading equities initially gave no sign of weakness, some were, in fact, soon marginally hetter, but the opening easiness in Gilts together with continued lack of institutional inquiries touched off a fall which gathered pace as the day progressed. Profit-taking was small but most dealers showed oo inclination to add to already adequate book commitmeots and stocks which led the receot atroog advance proved to he susceptible to offerings.

These included several constituents of the FT 30-share index which, after registering a rise of 0.4 al 10.00 am, was 2.8 down an hour later and closed 9.3 lower on the day at 486.7; early on Monday, the index crossed 500 on the uptrend for the secood time in four tradiog sessiona. After-hours' news of the Opposition intention to table a motion of "no coofidence" io the Government made little impact on sentiment.

Attention in Traded options was again directed towards Lonrho which attracted an extremely active 590 trades out of a total of 1,687. Other stocks io demand included RTZ and Courtaulds with 142 deals each.

United Electronic Holdings staged a volatile debut: from an opening level of 80p, the shares rose to 85p before closing at 76p compared with the placing price of 57p. The shares are dealt under Rule 163 (3).

The general downgrading by analysts of clearing bank half-yearly profit estimates following Lloyds disappointing figures last Friday continued to deter investment interest in the big four which drifted lower on lack of support. Midland, the next to report on Friday, relioquished 4 to 352p, while Barclays gave up 5 to 410p. Merchant hanks turned irregular with Mercury Securities down 10 to 218p on profit-taking but Hambros a further 8 better at 552p. Among Discount Houses, Gillett Bros., at 210p, held on to an earlier rise of 7 followiog the interim statement.

Having been nervously sold down to 115p ahead of the results, Hugg Rohinson closed a penny better on balance at 120p following the better-thao-expected preliminary profits.

Leading Breweries ended with substantial losses after institutiooal sellers predomioated in a good two-way husiness. Cautious statements from their respective chairmen left Allied 2½ lower at 82½p and Whitbread 9 off at 154p, the latter to record a two-day fall of 15. In sympathy, Bass dropped 10 to 223p, aod Arthur Guinness 4 to 92p.

The Building sector displayed a firm feature in Gough Cooper which jumped to 95p before closing a net 12 higher at 88p after Capel-Cure Myers' "dawn raid" to acquire a 29.5 per cent stake io the compaoy at 95p per share on behalf of Starwest Investments.

Small selling clipped 4 from ICI, 374p, and 5 from Fisons, 245p.

Reflection of another set of discouraging retail sales figures left Stores easier although actual business was small. Adverse comment clipped 2½ from Woolworths, 59p, but British Home found support and moved against the trend with a rise of a couple of pence to 159p. Mail-order issuea were dull with GUS "A," 444p, Grattan Warehouse, 64p, and Empire, 166p all easing 4, while Freemans (London SW9) fell 6 to 128p. The chairman's cautious statemeot accompanying the preliminary results left MFI 2 cheaper at 46p.

The recently buoyant Electrical sector took a distinct turn for the worse yesterday when Eurotherm's extremely disappointing interim results exacerbated early dullness caused by profit-takiog in the wake of the Racal chairman's cautious statement at the annual meeting. Eurotherm, 10 down ahead of the figures, plummeted further on them to close 80 down at 320p. Racal closed 12 lower at 278p, while GEC ended 10 off at 474p and Plessey 6 cheaper at 214p. Thorn EMI finished 8 lower at 316p; late details of the group's proposed sale to H. G. Fischer Inc. of its medical ultrasound business had no appareot affect on sentiment. Up 18 the previous day oo hopes that the company will benefit from the Government's decision to break the Post Office telecommunications monopoly, STC shed 5 to 407p. Against the trend, Automated Security added 5 more to 300p ahead of tomorrow's loterim figures and Muirhead hardened a couple of pence to 110p, after 112p, on news of the iocreased stake taken in the group by the Kuwait Investment Office.

Engineeriog leaders succumbed to the dull market trend. Up 6 the previous day on consideration of the success of its Raleigh cycles in the Tour de France, Tubes dropped 13 to 283p, while Hawker lost 12 to 230p and GKN gave up 5 to 252p. Elsewhere, Neepsend fell 6 to 37p on the chairman's profits warning which accompanied the results and Bullough, after 188p, ended 2 down at 180p on profit-taking ahead of tomorrow's loterim figures. Babcock International eased 4 to 91p as did Burgess Products, to 42p, while Westland declined 5 to 115p, the last-mentioned still on cautious commeot. Beojamin Priest, on the other band, firmed 4 to 72p, after 74p, following favourable results.

In Foods, British Sogar added 4 to 241p; the National Farmers Union is asking its members if they are prepared to pay a levy to finance a bid for the Government's 24 per cent stake in the company. Batleys of Yorkshire fell 7 to 46p on the chairman's gloomy annual statement, but Bernard Matthews picked up 10 to 215p, after 220p, on revived interest.

Grand Metropolitan gave up 5 to 157p and Trusthouse Forte 3 to 191p

Aero. & General up

Profit-taking took its toll on the miscellaneous industrial leaders and closing falls ranged to 10. Metal Box fell that much to 306p, while Beel International relinquished 9 to 205p; the latter's first-quarter figures are due next Wednesday. Elsewhere, Aeronautical and General stood out with a jump of 33 to 295p in response to sharply higher profits, while comment on the good results helped Initial Services rise 7 afresh to 167p and imparted firmness on other laundry and dry-cleaning issues. Sketchley rose 8 to 284p, Pritchard Services gained 4 to 77p and Spring Grove added 3 to 98p. Speculative demand in a thin market lifted Huntleigh 8 to 105p, while Hensher (Furniture), which resumed trading the previous day following agreed bid terms from Tebbitt Group, improved 4 to 103p. Ahead of today's AGM, De La Rue fell 30 to 800p. Channel Tunnel declined 12 to 100p and Christies International dipped 9 more to 186p. Dobson Park gave up 5 to 138p as did Vinten, to 160p. Following details of the Board's strong rejection of the Kuwait Investmeot Office's final offer of 250p per share, dealings in Hay's Wharf were resumed; the close was 251p compared with the suspended level of 253p.

Hawley Leisure closed 1½ dearer at 50p, after 52p, in response to the excellent interim results, while small buying in a thin market left Barr and Wallace Arnold Trust A 7 up at 88p.

The surprise Bell of Australia offer of 85p per share for 25 per cent of the compaoy lifted Rolls-Royce to 75p, but the latter's cold reception of the idea left the close only a fractioo better at 67p. Elsewhere, company tradiog statemeot enlivened ao otherwise sluggish Motor sector. Having heen a strong market of late, Dowty dropped 18 to 232p following the annouocement of full-year earnings below market estimates. Lucas gave up 6 to 214p. Among Distributors, Arlington added 5 to 95p on the annual results.

Amoog otherwise easier publishing issues, Gordon and Gotch rose 8 to 105p in front of tomorrow's annual results.

Properties succumbed to a fair amount of profit-taking which left Land Securities 4 off at 362p and MEPC 2 cheaper at 224p.

Publicity given to a broker's bearish circular caused a reaction of 15 to 151p in Carless Capel and one of 13 to 187p in Candecca Resources. Tricentrol shed 12 to 358p and Ultramar 10 to 340p, while Lasmo lost 13 to 730p. Similar falls were seen in Aran Energy, 470p, and Berkeley Exploration, 214p, while IC Gas gave up 18 to 834p. Elsewhere, Strata shed 18 for a two-day fall of 30 to 134p on disappointment with the initial results from the Woodada 2 well. Leading Oils reflected the general trend, British Petroleum easing 6 to 346p and Shell 4 to 426p.

In Financial Trusts, Mercantile House fell to 259p in immediate response to the £2.5m rights call, but rallied to end 9 better on balance at 271p.

Textiles remained quiet. Allied ended a penny firmer at 103p following the interim results, but Cawdaw fell 9 to 19p in belated response to Monday's annual loss and passed dividend.

Australians lower

Australian mining and energy stocks lost further ground in the wake of another poor performance by overnight domestic markets and on further consideration of the initial drilling report from the Woodada No. 2 appraisal well.

The energy sector sustained the heaviest losses, the weakness of Strata Oil prompting a fall of 18 to 150p in North West Mining and one of 16 to 176p in Haoma Gold, while the oil-shales issues showed Esperance Minerals a further 30 off for a two-day loss of 65 at 260p, and Greenvale Mining 15 lower at 235p, or 53 down over the past two days.

Among Golds, Poseidon dropped 9 more to 205p and Gold Mines of Kalgoorlie 12 to 418p. Diamond exploration stocks fared equally badly with Conzinc Riotinto 8 off at 256p, Ashton Mining 6 lower at 128p and Northern Mining 5 easier at 120p. Leichardt Exploration slipped 10 to 180p.

South African Golds held up well despite the uncertain trend in the bullion price, which closed $4 easier at $614.50 an ounce. Persistent demand from Johannesburg and the absence of local selling encouraged a number of modest gains and the Gold Mines index responded with a rise of 2.7 to 361.5.

In the heavyweights, St. Helena were prominent and advanced ½ to £17½. The medium-priced issues were again featured by *Doornfontein* which gained 30 more to 818p on persistent and sizeable buying from Johannesburg.

South African Financials were usually steady to a shade firmer. Anglo American attracted renewed local interest and put on 7 to 645p. London Financials ran out of steam after the recent good gains. Gold Fields gave up 12 to 525p, Charter 7 to 220p and RTZ 5 to 475p.

Platinums encountered profit-taking which left Impala 11 off at 307p and Lydenburg 13 down at 155p.

LONDON TRADED OPTIONS

Option	Exercise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	300	48	—	66	20	78	—	546p
BP	550	18	—	40	5	68	—	"
BP	560	1	18	64	54	40	—	"
BP	500	½	1	16	4	27	—	"
BP	420	½	—	6	54	—	—	"
Com. Union	140	17	3	24	—	63	—	156p
Com. Union	160	1½	—	10	53	14	—	"
Cons. Gold	500	30	22	53	—	90	—	528p
Cons. Gold	550	2	2	58	6	50	—	"
Cons. Gold	600	1	—	16	13	30	—	"
Courtaulds	60	9	54	15	3	17	—	68p
Courtaulds	70	¾	5	8	60	11	4	"
Courtaulds	80	½	—	3½	18	6	—	"
Courtaulds	90	½	—	2	—	5½	—	"
GEC	330	148	2	158	—	174	—	474p
GEC	360	116	1	188	2	146	—	"
GEC	390	86	1	100	10	120	1	"
GEC	420	56	—	72	10	84	—	"
GEC	460	16	5	45	8	64	—	"
GEC	500	—	—	22	58	42	—	"
Grand Met.	120	58	9	43	—	47	—	157p
Grand Met.	130	28	—	33	—	58	20	"
Grand Met.	140	18	1	24	6	58	—	"
Grand Met.	160	1½	—	11½	52	20	—	"
Grand Met.	180	½	—	5	20	12	—	"
ICI	360	16	10	32	33	46	—	374p
ICI	390	1	—	16	14	30	—	"
Land Secs.	265	70	—	64	—	—	—	362p
Land Secs.	325	40	1	59	—	72	—	"
Land Secs.	355	10	50	56	4	31	4	"
Land Secs.	390	—	—	11	11	51	5	"
Marks & Sp.	80	17	4	21	3	83	5	96p
Marks & Sp.	90	8	—	17	13½	16	4	"
Marks & Sp.	100	½	8	7	7	18	4	"
Shell	360	86	27	78	88	63	1	426p
Shell	390	56	—	56	25	63	—	"
Shell	420	7	49	25	19	50	—	"
Shell	460	—	15	5	—	38	2	"
Totals			865		526		43	
		August		November		February		
Imperial Gp.	80	4½	10	5	17	10½	12	81p
Imperial Gp.	90	1	—	1½	2	5½	4	"
Lonrho	80	36	—	41	—	45	2	115p
Lonrho	90	26	10	32	4	35	2	"
Lonrho	100	20	2	25	—	26	—	"
Lonrho	110	11½	60	15½	36	25	—	"
Lonrho	120	5½	204	14	211	20	45	"
Lonrho	130	5	10	11½	—	15	1	"
P. & O.	120	65	1	75	—	84	—	128p
Racal Elec.	220	65	1	75	—	84	—	280p
Racal Elec.	260	25	17	41	1	54	—	"
Racal Elec.	280	14	22	29	18	43	—	"
Racal Elec.	300	5	5	18	1	32	1	"
RTZ	260	200	1	—	—	—	—	476p
RTZ	300	180	4	—	—	—	—	"
RTZ	360	120	1	132	6	152	—	"
RTZ	390	90	1	107	—	130	—	"
RTZ	420	60	—	77	—	108	4	"
RTZ	460	50	40	50	—	78	—	"
RTZ	500	10	38	30	52	55	—	"
Totals			413		553		85	

FINANCIAL TIMES STOCK INDICES

—	July 22	July 21	July 18	July 17	July 16	July 15	A year ago
Government Secs.	72.34	72.54	71.81	71.98	71.71	71.07	73.96
Fixed Interest	73.84	73.78	73.11	73.02	72.55	72.24	75.36
Industrial	486.7	496.0	497.3	496.9	503.1	499.8	487.0
Gold Mines	361.5	358.8	355.5	360.2	353.9	349.9	161.8
Ord. Div. Yield	7.45	7.30	7.29	7.29	7.22	7.28	6.70
Earnings, Yld. %(full)	18.08	17.72	17.69	17.68	17.49	17.63	17.06
P/E Ratio (net) (*)	6.66	6.80	6.81	6.83	6.90	6.85	7.34
Total bargains	24,808	24,805	24,757	26,664	28,824	26,358	—
Equity turnover £m.	—	137.85	148.75	160.12	223.62	140.84	73.05
Equity bargains total	—	18,405	18,433	19,745	21,899	20,966	11,095

10 am 496.4. 11 am 493.2. Noon 489.9. 1 pm 489.4.
2 pm 488.8. 3 pm 488.4.

Latest Index 01-246 8026.

*Nil = 8.22.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	72.54 (21/7)	63.85 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	73.84 (22/7)	64.70 (18/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	503.1 (16/7)	406.8 (3/1)	558.8 (4/5/79)	49.4 (26/6/40)
Gold Mines	377.9 (23/2)	265.6 (18/3)	442.3 (22/5/75)	43.5 (28/10/71)

S.E. ACTIVITY

	July 22	July 21
Daily		
Gilt Edged	133.7	128.1
Industrials	[illegible]	[illegible]
Speculative	[illegible]	[illegible]
Totals	[illegible]	[illegible]
5-day Avge.		
Gilt Edged	134.1	[illegible]
Industrials	158.6	[illegible]
Speculative	[illegible]	[illegible]
Totals	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (116)

BRITISH FUNDS (2)
CORPORATION LOANS (6)
LOANS (9)
AMERICANS (3)
CANADIANS (1)
BANKS (6)
BUILDINGS (6)
CHEMICALS (1)
DRAPERY & STORES (2)
ELECTRICALS (4)
ENGINEERING (6)
FOODS (1)
INDUSTRIALS (18)
INSURANCE (2)
NEWSPAPERS (2)
PAPER (2)
SHIPPING (1)
TEXTILES (1)
OVERSEAS TRADERS (2)
MINES (2)

NEW LOWS (28)

BRITISH FUNDS (1)
Exchqr. 3pc ...
BUILDINGS (3)
Bett Bros. ... Heywood Williams
STORES (3)
Boardman (K.O.) ... Lee Cooper
Casket (S.) ... MFI Furniture
ENGINEERING (8)
Boulton (W.) ...
Burgess Products ...
Crosta ...
FOODS (1)
Squirrel Horn
INDUSTRIALS (7)
Braby Leslie ...
Change Wares ...
Duple Intl. ...
Elson & Robbins
MOTORS (1)
Woodhead (J.)
PAPER (1)
Wace
SHOES (2)
Garnar Scotblair ... Lambert Howarth
TEXTILES (2)
Cawdaw ...
Leeds Dyers

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	1	78	6
Corpns. Dom. and Foreign Bonds	18	—	45
Industrials	162	382	848
Financial and Props.	67	186	241
Oils	6	37	11
Plantations	1	3	21
Mines	31	49	70
Others	43	43	84
Totals	329	777	1,346

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
ICI	£1	8	374	− 4	402	348
Imp. Cont. Gas	£1	8	834	−18	906	593
Allied Breweries	25p	7	82½	− 2½	89	68
BAT Inds.	25p	7	282	—	290	223
Distillers	50p	7	207	− 4	222	184
Grd. Metropolitan	50p	7	157	− 5	167	120
Reed Intl.	£1	7	205	− 9	215	163
Shell Transport	25p	7	426	− 4	432	314
BP	25p	6	346	− 6	412	320
Carless Capel	10p	6	151	−15	166	68
Dalgety	£1	6	272	− 1	302	242
Eng. China Clays	25p	6	106	− 1	107	74
Marks & Spencer	25p	6	96	− 1	98	77
Racal Electronics	25p	6	278	−12	290	175
Unilever	25p	6	508	− 3	512	388

OPTIONS

First Dealing	Last Dealing	Last Declaration	For Settlement
Jul. 21	Aug. 1	Oct. 23	Nov. 3
Aug. 4	Aug. 15	Nov. 6	Nov. 17
Aug. 18	Aug. 29	Nov. 20	Dec. 1

For rate indications see end of Share Information Service

An active day's business in the Option market resulted in calls being dealt in British Land, MFI, William Press, Grand Metropolitan, Pennine, Youghall Carpets, Aran Energy, Lonrho, Oil Search, Dundonian, Shell Transport, Town and City, Petbow, Dunlop, Lasmo, Courtaulds, ICI, European Ferries, Berkeley Exploration, Combined English Stores, Tebbitt Bros., Coral Leisure, FNFC, Magnet Metals, Carless Capel, Rothmans and Howard Machinery. A put was completed in New Throgmorton Warrants, while doubles were transacted in Dunlop and Grand Metropolitan.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
‡38½	F.P.	—	80	60	Energy Capital (12½p)	80	—	[illegible]			
—	F.P.	—	240	215	‡Hall Bros.	240	—	[illegible]			
—	F.P.	20/6	90	74	Home Farm Prods.10p	87	—	[illegible]			
—	F.P.	—	8	3	‡Jankin & Purser	7½	—	[illegible]			
—	F.P.	27/6	74	70	Oakwood Group	73	—	[illegible]			
‡45	F.P.	27/6	110	61	Peerless	65	+1	[illegible]			
‡00	F.P.	4/7	81	72	‡Rolls & Nolan 10p	70	—	[illegible]			
160	F.P.	1/8	106	94	‡Spice 20p	106	—	[illegible]			
‡57	F.P.	—	85	75	Utd. Electronic 80p	76	—	[illegible]			

FIXED INTEREST STOCKS

Issue Price £	Amount paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
‡	F.P.	25/7	118	109	British Home Stores 9% Cnv. Ln. '92	116	[illegible]
100	F.P.	—	100	99	Dalel 9½% Conv. Bds. due 1985	99	
‡	F.P.	—	13	12	London & Midlands Ind 9½% pc Deb. '89-94	13	[illegible]
‡	F.P.	29/8	101	100	Outwich 10% Pref.	101	
‡	£10	8/8	13½	11½	South Staff. Water 8% Red. Pf. '85	13½	
‡	£10	30/8	13½	13	Sunderl'd & S.Shields Wtr 9½ Rd. Prf. 1985	13½	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −
65	Nil	5/8	30pm	25pm	Anderson Strathclyde	88pm	
103	F.P.	14/7	127	117	Astbury & Madeley	121	
12	F.P.	4/7	18	10pm	Barnet Ind. & W.J.	163	
18	Nil	—	12pm	10pm	Brengreen	10pm	
115	F.P.	4/7	144	124	Brown & Jackson	140	
125	F.P.	—	28pm	24pm	Carless Capel	166	
48	F.P.	22/7	65	65	Charterhall	65	
145	Nil	—	22pm	16pm	Clive Discount	22pm	
34	Nil	—	15pm	11pm	Coalite	15pm	
155	Nil	25/7	41pm	35pm	Crest Nicholson	38pm	
200	F.P.	—	212	200	Fletcher Kings	212	
60	Nil	—	7pm	5pm	Hazlewood Foods	6pm	
75	F.P.	—	15	14	Land Securities	15	
263	F.P.	1/8	368	307	Lloyds & Scottish	365	
18	Nil	—	7pm	3pm	Mallinson-Denny	3pm	
60	F.P.	—	176pm	127pm	Mercantile House	172pm	
60cts	Nil	—	455pm	190pm	Pencontinental	320pm	
10	Nil	—	11pm	10pm	Sturla	3pm	
12c	Nil	31/7	26/8	1pm	Thurgar Bardex	1pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. * Allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ‡ Placing price to public. pt Pence unless otherwise indicated. † Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶ Issued in connection with reorganisation, merger or takeover. ||| Introduction. ☐ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tues., July 22, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., July 21 Index No.	Fri., July 18 Index No.	Thur., July 17 Index No.	Wed., July 16 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	281.75	−1.7	16.46	5.82	7.37	286.64	286.96	283.06	283.32	241.89
2	Building Materials (28)	264.84	−1.2	17.43	6.33	6.74	268.14	267.51	268.05	266.57	224.91
3	Contracting, Construction (27)	419.77	−1.0	21.99	5.83	5.42	423.81	423.44	419.64	418.41	355.26
4	Electricals (16)	802.50	−1.7	12.31	3.25	10.07	816.54	818.00	793.75	809.27	585.45
5	Engineering Contractors (11)	333.90	−1.1	20.34	7.80	6.17	337.53	334.46	333.79	332.16	385.54
6	Mechanical Engineering (74)	184.25	−2.7	17.28	7.19	7.09	189.30	190.20	188.09	187.67	177.75
8	Metals and Metal Forming (16)	170.82	−1.1	21.12	9.94	5.69	172.80	173.09	172.90	173.04	166.18
	CONSUMER GOODS										
11	(DURABLE) (49)	232.46	−2.3	14.22	5.61	8.46	237.90	237.20	234.49	235.23	227.15
12	Lt. Electronics, Radio, TV (14)	347.41	−2.7	11.05	4.06	11.10	357.21	355.47	350.28	351.10	316.53
13	Household Goods (14)	98.53	−0.7	24.59	10.71	5.13	99.27	99.87	102.54	103.41	152.00
14	Motors and Distributors (21)	102.79	−1.1	22.31	9.57	5.18	103.95	104.10	103.17	103.64	111.68
	CONSUMER GOODS										
21	(NON DURABLES) (172)	236.29	−1.4	17.52	6.84	6.90	239.53	239.41	238.85	239.72	232.85
22	Breweries (14)	286.62	−3.6	15.81	6.43	7.38	297.30	302.56	304.24	305.05	276.52
23	Wines and Spirits (5)	307.85	−1.7	19.71	6.62	5.97	313.18	313.78	317.93	321.28	327.81
24	Entertainment, Catering (17)	336.92	−1.9	17.14	6.64	7.24	343.56	345.32	345.49	347.82	306.91
25	Food Manufacturers (21)	217.27	−0.7	18.72	6.91	6.27	218.78	217.94	218.01	219.08	196.00
26	Food Retailing (13)	345.16	−0.3	12.23	4.58	9.76	346.13	343.45	339.99	338.54	299.56
32	Newspapers, Publishing (13)	443.50	−0.2	21.52	6.59	6.27	444.33	442.99	442.11	448.63	407.05
33	Packaging and Paper (15)	137.17	−2.4	26.05	9.54	4.46	140.51	140.17	140.37	140.38	121.56
34	Stores (45)	229.42	−1.1	13.71	5.48	9.51	231.99	230.97	228.40	227.70	240.18
35	Textiles (21)	128.12	−1.1	25.66	12.33	4.75	129.48	129.94	134.43	140.43	154.91
36	Tobaccos (3)	228.74	−0.2	25.09	10.18	4.54	229.23	227.65	225.07	226.55	232.33
37	Toys and Games (5)	26.98	−2.3	8.33	14.13	27.74	27.63	27.63	27.63	27.63	67.54
41	OTHER GROUPS (99)	228.31	−1.1	16.11	6.79	7.38	230.85	229.85	229.60	230.49	196.17
42	Chemicals (16)	321.05	−1.0	19.33	7.50	5.93	324.28	322.12	321.10	325.72	271.80
43	Pharmaceutical Products (7)	230.32	−1.6	10.99	6.01	11.26	234.00	233.35	233.82	234.77	233.40
44	Office Equipment (6)	146.47	−2.5	19.80	7.79	6.14	150.24	149.76	149.63	150.40	135.98
45	Shipping (10)	602.93	−0.8	12.73	5.85	9.58	607.75	607.68	607.41	610.62	453.82
46	Miscellaneous (60)	284.44	−0.8	15.74	6.49	7.79	286.78	285.25	285.04	283.30	234.54
49	INDUSTRIAL GROUP (492)	255.12	−1.5	16.68	6.46	7.23	258.86	258.58	255.10	255.84	232.43
51	Oils (8)	800.95	−1.5	20.71	6.41	5.85	813.31	814.56	809.02	813.74	647.81
59	500 SHARE INDEX	296.57	−1.5	17.13	6.45	6.13	301.00	300.82	299.03	300.88	265.96
61	FINANCIAL GROUP (118)	234.14	−0.8	—	5.41	—	236.07	235.55	235.69	235.25	188.56
62	Banks (6)	237.91	−0.6	41.60	6.92	2.93	239.41	240.93	245.51	247.68	232.79
63	Discount Houses (10)	296.89	—	—	7.28	—	296.89	296.28	295.24	292.56	[illegible]
64	Hire Purchase (5)	246.64	—	12.67	4.06	10.25	246.52	246.25	247.48	249.03	182.18
65	Insurance (Life) (10)	232.40	−1.7	—	5.48	—	236.34	233.63	231.57	231.85	148.81
66	Insurance (Composite) (9)	157.50	−1.0	—	6.83	—	159.01	158.41	156.79	156.78	119.77
67	Insurance Brokers (9)	344.61	−1.3	13.48	6.64	10.19	349.01	348.43	346.28	344.37	237.80
68	Merchant Banks (12)	140.77	−0.5	—	5.84	—	141.51	140.33	138.36	137.11	96.46
69	Property (45)	438.54	−0.8	3.25	2.66	43.37	441.91	440.24	437.50	437.12	356.72
70	Miscellaneous (12)	143.50	—	14.24	6.09	8.83	143.49	143.55	143.13	141.22	120.39
71	Investment Trusts (109)	267.04	−0.9	—	5.26	—	269.39	264.80	262.75	262.64	204.62
81	Mining Finance (4)	244.91	−1.3	11.02	4.03	10.94	248.25	246.52	246.05	244.01	213.23
91	Overseas Traders (19)	422.17	−0.1	11.61	6.86	10.48	422.49	417.79	416.67	413.94	326.00
99	ALL-SHARE INDEX (750)	284.43	−1.3	—	6.12	—	288.18	287.44	285.99	286.58	243.19

FIXED INTEREST PRICE INDICES

	British Government	Tues., July 22	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	106.61	−0.14	—	6.05
2	5-15 years	115.21	−0.30	—	6.86
3	Over 15 years	122.90	−0.23	—	7.61
4	Irredeemables	136.11	−0.28	—	7.24
5	All stocks	114.66	−0.24	—	7.07

	FIXED INTEREST YIELDS British Govt. Av. Gross Red.		Tues., July 22	Mon., July 21	Year ago (approx.)
1	Low Coupons	5 years	11.22	11.17	10.81
2		15 years	11.16	11.11	11.45
3		25 years	11.16	11.11	10.88
4	Medium Coupons	5 years	12.53	12.45	12.09
5		15 years	12.46	12.40	12.00
6		25 years	12.40	12.36	11.91
7	High Coupons	5 years	12.78	12.71	12.27
8		15 years	12.63	12.61	12.27
9		25 years	12.68	12.66	12.57
10	Irredeemables		10.82	10.80	10.41

		Tues., July 22 Index No.	Yield %	Mon. July 21	Fri. July 18	Thurs. July 17	Wed. July 16	Tues. July 15	Mon. July 14	Fri. July 11	Year ago (approx)
15	20-yr. Red. Deb & Loans (15)	54.37	13.58	54.46	54.58	54.54	54.10	53.83	53.80	53.65	58.54
16	Investment Trust Prefs. (15)	51.28	15.80	51.23	51.19	51.18	48.71	49.71	48.71	49.71	51.60
17	Coml. and Indl. Prefs. (20)	68.26	15.16	68.10	67.06	67.10	63.34	63.30	65.25	65.25	78.10

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Henderson Admin. (Guernsey) Ltd.
7 New St., St. Peter Port, Guernsey. 0481 26541/2
American US (USC) [illegible]

Henderson Baring Group
801, Gloucester, 11, Pedder, Hong Kong
Japan Fd. July 16 [illegible]
Japan Tech. July 16 [illegible]
Malay Sing. July 16 [illegible]
Pacific Fd. July 16 [illegible]
Bond Fd. July 17 [illegible]
PO Box 71, St. Peter Port, Guernsey, C.I.
Gilt Fd. [illegible]

Hill-Samuel & Co. (Guernsey) Ltd.
8 LeFebvre St., St. Peter Port, Guernsey, C.I.
Guernsey Tst. [illegible]

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey.
HS Channel Is. F. [illegible]
H.S. Fixed Int. Fd. [illegible]
Box 2622, Berne, Switzerland.
H.S. Overseas [illegible]
CSF Fd. [illegible]
Crossbow Fd. [illegible]
ITF Fd. [illegible]

N.V. Interbeheer
P.O. Box 5626, Delft, Holland
Emeraldis (Iss. Price) 56.18 +0.12 1.78

International Pacific Inv. Mgmt. Ltd.
P.O. Box 8237, 56, Pitt St., Sydney, Aust.
Javelin Equity Tst. [illegible]

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong
Jardine Estn. Tst. [illegible]
Jardine J'pn. Fd. [illegible]
Jardine S.E.A. [illegible]
Jardine Flem. Int. [illegible]
Intl. Pac. Secs. (Inc.) [illegible]

Leopold Joseph & Sons (Guernsey)
Hirsel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund [illegible]

Kemp-Gee Management, Jersey Ltd.
1 Charing Cross, St. Helier, Jersey. 0534 73741
Kemp-Gee Capital [illegible]
Kemp-Gee Income [illegible]

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070
[illegible]

King & Shaxson Mgrs.
1 Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Gnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856
Gilt Fund (Jersey) [illegible]
Gilt Fnd. Guernsey [illegible]
Gilt Trust (I.o.M.) [illegible]
First Intl. [illegible]

Kleinwort Benson Limited
20, Fenchurch St., EC3. 01-623 8000
Eurinvest Lux. F. [illegible]
Guernsey Inc. [illegible]
KB Far East Fd. [illegible]
KB Intl. Fund [illegible]
KB Japan Fund [illegible]
KB US Gwth. Fd. [illegible]
Signet Bermuda [illegible]

Lazard Brothers & Co. (Jersey) Ltd.
P.O. Box 108, St. Helier, Jersey, C.I. 0534 37361
Lazard Sterling Fd. [illegible]
Extenral Fund [illegible]

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561
Lloyds Trust O'seas [illegible]
Lloyds Trust Gilt [illegible]

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneva 11 (Switzerland)
Lloyds Int. Growth [illegible]
Lloyds Int. Income [illegible]

Lloyds International Mgmt. S.A.
7 Rue du Rhone, P.O. Box 179, 1211 Geneva 11
Lloyds Int. Income [illegible]

M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588
Atlantic Exp. [illegible]
Aust. & Gen. [illegible]
Gold Ex. Acc. [illegible]
Island [illegible]

Management International Ltd.
c/o Bank of Bermuda Bldg., Bermuda. 809-295-4000
[illegible]

Midland Bank Tst. Corp. (Jersey) Ltd.
28-34 Hill St., St. Helier, Jersey. 0534 36281
[illegible]

Samuel Montagu Ldn. Agents
114, Old Broad St., E.C.2. 01-588 6464
[illegible]

Murray, Johnstone (Inv. Adviser)
163, Hope St., Glasgow, C2. 041-221 5521
Hope St. Fd. July 15 US$40.07
Murray Fund July 15 US$17.24
Pacific Fd. June 30 US$4.21

Nat. Westminster Jersey Fd. Mgrs. Ltd.
23-25 La Motte St., St. Helier, Jersey. 0534 36281
[illegible]

Negit S.A.
10a Boulevard Royal, Luxembourg
NAV July 11 [illegible]

N.E.L. International Ltd.
P.O. Box 119, St. Peter Port, Guernsey, C.I.
[illegible]

Pacific Basin Fund
10a Boulevard Royal, Luxembourg.
NAV June 6 US$16.63 +0.09

Phoenix International
PO Box 77, St. Peter Port, Guernsey. 0481-26741
[illegible]

Providence Capitol Life Ass. (C.I.)
PO Box 121, St Peter Port, Guernsey. 0481 26726/9
[illegible]

Richmond Life Ass. Ltd.
48, Athol Street, Douglas, I.O.M. 0624 23914
[illegible]

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331
[illegible]

Rothschild Asset Mgt. (Bermuda)
P.O. Box 664, Bk. of Bermuda Bld., Bermuda.
Reserve Assets Fd. [illegible]

Save & Prosper International
Dealing to:
37 Broad St., St. Helier, Jersey. 0534-73933
[illegible]

Schlesinger International Mngt. Ltd.
41, La Motte St., St. Helier, Jersey. 0534 73588
[illegible]

Schroder Life Group
Enterprise House, Portsmouth. 0705 27733
International Funds [illegible]

J. Henry Schroder Wagg & Co. Ltd.
120, Cheapside, E.C.2. 01-588 4000
[illegible]

Sentry Assurance International Ltd.
P.O. Box 1776, Hamilton 5, Bermuda
Managed Fund [illegible]

Singer & Friedlander Ldn. Agents
20, Cannon St., EC4. 01-248 9646
Dekafonds [illegible]
Tokyo Trust July 1 [illegible]

Standard Chartered Intl. Bd. Fd.
37 rue Notre-Dame, Luxembourg
NAV July 21 [illegible]

Stronghold Management Limited
P.O. Box 315, St. Helier, Jersey. 0534-71460
Commodity Trust [illegible]

Surinvest (Jersey) Ltd. (x)
Queens Hse., Don Rd., St. Helier, Jsy. 0534 27349
American Ind. Tst. [illegible]
Copper Trust [illegible]
Jap. Index Tst. [illegible]

Surinvest Trust Managers Ltd.
48, Athol Street, Douglas, Isle of Man. 0624 23914
The Silver Trust [illegible]

TSB Unit Trust Managers (C.I.) Ltd.
Bagatelle Rd., St. Saviour, Jersey. 0534 73494
[illegible]

TSB Gilt Fund Managers (C.I.) Ltd.
[illegible]

Tokyo Pacific Holdings N.V.
Intimis Management Co. N.V., Curacao.
NAV per share [illegible]

Tokyo Pacific Hldgs. (Seaboard) N.V.
Intimis Management Co. N.V., Curacao.
NAV per share [illegible]

Tyndall Group
P.O. Box 1256 Hamilton 5, Bermuda. 2-2760
[illegible]

Unilife Assurance (Overseas) Ltd.
P.O. Box 1388, Hamilton 5-31, Bermuda.
[illegible]

Union-Investment-Gesellschaft mbH
Postfach 16767, D 6000 Frankfurt 16.
[illegible]

Utd. Intnl. Mngmnt. (C.I.) Ltd.
14, Mulcaster Street, St. Helier, Jersey.
U.I.B. Fund [illegible]

van Cutsem & Associates Ltd.
42, Essex Street, London, WC2. 01-353 6845
[illegible]

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2. 01-600 4555
[illegible]

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. C.I. 0534 73741
[illegible]

Wardley Investment Services Ltd.
4th Floor, Hutchison House, Hong Kong
[illegible]

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd [illegible]

Wren Commodity Trust
10, St. George's St., Douglas, IoM. 0624 25015
Wren Commod. Tst. [illegible]

NOTES

[illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

Darlington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmt. Ltd.

Equity & Law Un. Tr. M.♥ (a)(b)(c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Unit Trs. Mgrs.♥

Funds in Court♥

G.T. Unit Managers Ltd.♥

G. & A. Trust (a) (g)

Gartmore Fund Managers♥ (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)♥

Grievesom Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(c)(g)

Hill Samuel Unit Tst. Mgrs.† (a)

Investment Intelligence Ltd.♥ (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers♥

L & C Unit Trust Management Ltd.♥

Legal & General Tyndall Fund♥

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.♥

M & G Group (y)(c)(z)

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt.♥ (a)

Mutual Unit Trust Managers♥ (a)(g)

National Provident Inv. Mngrs. Ltd.♥

National Westminster♥ (a)

NEL Trust Managers Ltd.♥ (a)(g)

Northgate Unit Trust Managers Ltd. (c)(y)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt.♥ (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.♥

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)

Quilter Management Co. Ltd.♥

Reliance Unit Mgrs. Ltd.♥

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd.♥ (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Saturn Fund Management Limited

Save & Prosper Group♥

J. Henry Schroder Wagg & Co. Ltd.♥ (a)(c)

Scottish Equitable Fnd. Mgrs. Ltd.♥

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.♥ (a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers♥

Transatlantic and Gen. Secs. Co.♥ (y)

TSB Unit Trusts (y)

Tyndall Managers Ltd. (a)(b)(c)

Ulster Bank♥ (a)

Unit Trust Account & Mgmt. Ltd.

Wider Growth Fund

For Schlesinger Trust see Britannia/Schlesinger

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.♥

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.♥

Canada Life Assurance Co.

Cannon Assurance Ltd.♥

Capital Life Assurance♥

Charterhouse Magna Gp.♥

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.♥

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.♥

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.♥

Guardian Royal Exchange

Hambro Life Assurance Limited♥

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.♥

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.♥

M & G Group♥

Manufacturers Life Insurance Co.

Merchant Investors Assurance♥

NEL Pensions Ltd.

New Zealand Ins. Co. (UK) Ltd.♥

Norwich Union Insurance Group♥

NPI Pensions Management Ltd.

Pearl Assurance (Unit Fds.) Ltd.

Phoenix Assurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.♥

Property Growth Assur. Co. Ltd.♥

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited♥

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group♥

Schroder Life Group♥

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company♥

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.♥

Tyndall Assurance/Pensions (a)(b)(c)

Vanbrugh Life Assurance♥

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.♥

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive—Ldn. Agents

Bridge Management Ltd.

Britannia/Schlesinger

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity Management & Research

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Frankfurt Trust Investment—GmbH

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Guinness Mahon Fd. Mgrs. (Guernsey)

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

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BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1980 High	Low	Stock	Price £	+ or –	Int.	Red. Yield
91	82¼	Aust. 5½pc '81-82	91	......	6.16	12.70
84½	72½	Do. 6pc 1981-83	84½	......	7.15	12.04
66½	58	N.Z. 7¼pc 1988-92	66½	......	10.96	12.37
81	72	Do. 7½pc '83-86	81	......	9.35	12.29
96¾	88	Sth. Africa 9½pc '79-81	96½	......	10.02	13.51
160	107	Sth. Rhod. 2½pc '65-70	153	......	—	—
169	133	Do. 6pc '78-81	167	......	—	—

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

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TOBACCOS

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RUBBERS AND SISALS

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Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

180	78½	Anglo-Dominion	150	......	—	—	—	
97	52	Barymin	53	......	—	—	—	
17	12	Burma Mines 10p	14	......	0.62	1.1	6.4	
146	53	Colby Res. Corp.	146	......	—	—	—	
502	290	Cons. Murch. 10c.	310	+3	M010c	1.8	18.5	
180	106	††Hemerdon 10c.	110	......	—	—	—	
585	325	Northgate C$1	370	......	—	—	—	
485	327	R.T.Z.	476	−4	15.0	3.2	4.5	
55	16	Robert Mines	23	−1	—	—	—	
58	26	Sabina Inds. C$1	29	−1	—	—	—	
51	43	††SWCM 10p	43	......	—	—	—	
650	411	Tara Expln. $1	437	+2	—	—	—	

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- 0 No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	32	......
Bertam	16	......
Bdg'wtr. Est. 50p	440	......
Clover Croft	60	......
Craig & Rose £1	£10½	......
Fife Forge	32½	......
Finlay Pkg. 5p	18	......
Graig Ship. £1	£16	......
Higsons Brew	75	−3
Holt (Jos) 25p	250	......
I.O.M. Stm. £1	192	......
Pearce (C. H.)	465	......
Peel Mills	45	......
Sheff. Refrshmt	102½	......
Sindall (Wm.)	143	......

IRISH

Conv. 9% '80/82	£92	......
Nat. 9¾% 84/89	£81½	......
Fin. 13% 97/02	£96¼	......
Alliance Gas	48	......
Arnott	190xd	......
Carroll (P.J.)	60	......
Clondalkin	122	......
Concrete Prods.	70	......
Heiton (Hldgs.)	32	......
Ins. Corp.	250	......
Irish Ropes	45	......
Jacob	27½	−2½
T.M.G.	87	......
Unidare	80	......

OPTIONS
3-month Call Rates

Industrials

A. Brew	7
BOC Intl.	6
B.S.R.	4½
Babcock	8
Barclays Bank	34
Beecham	10
Blue Circle	25
Boots	16
Bowaters	15
B.A.T.	20
Brown (J.)	6
Burton 'A'	10
Cadburys	5½
Courtaulds	0
Debenhams	0
Distillers	17
Dunlop	7½
Eagle Star	15
F.N.F.C.	2¼
Gen. Accident	21
Gen. Electric	30
Glaxo	18
Grand Met	12
G.U.S. 'A'	34
Guardian	23
G.K.N.	20
Hawker Sidd	15
House of Fraser	15
I.C.I.	27
"Imps"	6½
I.C.L.	14
Inveresk	4
Ladbroke	15
Legal & Gen.	15
Lex Service	0
Lloyds Bank	24
"Lofs"	3½
London Brick	6
Lucas Inds.	17
"Mams"	14
Mrks. & Spncr	8
Midland Bank	26
N.E.I.	5
Nat. West. Bank	27
P & O Dfd.	10
Plessey	14
Racal Elect	22
R.H.M.	4½
Rank Org.	15
Reed Intnl.	16
Sears	5
Tesco	6
Thorn	23
Trust Houses	12
Tube Invest.	23
Unilever	40
U.D.T.	5½
Utd. Drapery	6½
Vickers	12
Woolworths	5½

Property

Brit. Land	7
Cap. Counties	9
Land Secs.	24
MEPC	17
Peachey	13
Samuel Props.	12
Town & City	2

Oils

Brit. Petroleum	32
Burmah Oil	20
Charterhall	10
KCA	11
Premier	13
Shell	35
Tricentrol	40
Ultramar	35

Mines

Charter Cons.	14
Cons. Gold	40
Lonrho	8
Rio T. Zinc	35

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 22

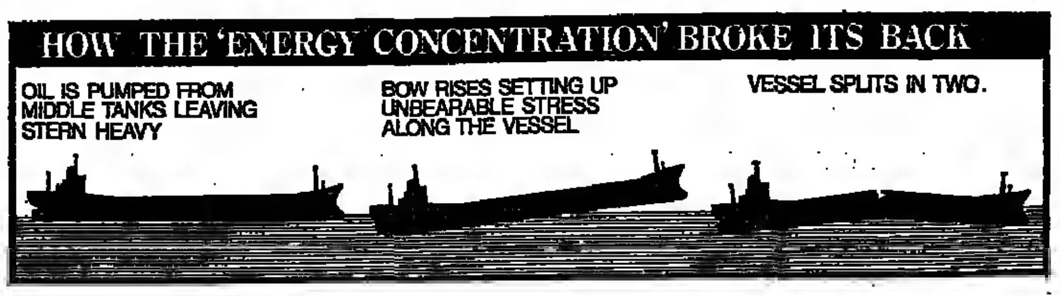
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Wednesday July 23 1980

ROTTERDAM ESCAPES MAJOR DISASTER

Supertanker breaks its back

HOW THE 'ENERGY CONCENTRATION' BROKE ITS BACK



DUTCH port authorities, salvage experts and insurers meet this morning to intensify efforts to find a way of salvaging the supertanker which broke its back while unloading crude oil at Rotterdam yesterday.

The accident involving the 215,000-tonnes (dwt). Hong Kong-owned Energy Concentration threatened a major disaster in the world's business port. It is the fifth supertanker to be lost this year and the eleventh in the last 19 months.

The incident raises further serious doubts about tanker safety and supervision—especially of those vessels sailing under flags of convenience—and comes in the wake of the disastrous supertanker explosion at Bantry Bay Ireland last year, in which 50 people were killed.

Last year was the worst on record for shipping losses in peacetime. The current year could be even worse, with shipping losses in the first four months more than 70 per cent up on 1979.

Until recently the very large crude carriers of over 200,000 dwt were considered among the safest in the world. But the recent spate of casualties has given rise to official concern and the EEC is preparing a draft directive on substandard ships.

The Dutch maritime inspectorate has begun an investigation into the cause of yesterday's accident to establish whether human error or structural defects were to blame.

A preliminary investigation by the Rotterdam Port police established that the tanker buckled at its moorings under the weight of crude oil in its fore and aft tanks.

The Liberian-registered tanker which was carrying more than 150,000-tonnes of crude oil from the Middle East, had almost completed discharging just over 50,000-tonnes at the Mobil Europort terminal when the accident happened.

Port police in Rotterdam yesterday said that the tanks in the centre of the Energy Concentration had been emptied first. The resulting pressures of the remaining crude oil at either end of the vessel were enough to break the ship's back.

The bow and stern sections sank to the harbour bed, pushing up the ship's mid-section out of the water at an angle of about 20 degrees.

Smit International, a major Dutch salvage company which is leading the recovery operation, said yesterday that the remaining crude would either have to be pumped directly ashore at Rotterdam or discharged into lighter barges.

The stricken tanker can still float at high tide and it will probably be towed to a dry dock for repair when it has been unloaded.

It is the second supertanker belonging to the C. Y. Tung group to be lost within the last seven months. Last December the 321,186 dwt Energy Determination broke in half in the Straits of Hormuz. A formal investigation by the Liberian Bureau of Maritime affairs is scheduled for later this year or early next year.

The Energy Concentration was a slightly smaller and older supertanker. According to E. A. Gibson's director of VLCCs it was jointly controlled by C. Y. Tung and Yamashita, one of Japan's top six shipping companies. Earlier this year, the Tung group, which controls 120 ships totalling around 10m dwt, took over Furness Withy, one of Britain's biggest shipping companies.

Around 50,000-tonnes of the Energy Concentration's cargo was being unloaded in Rotterdam for Petrofina, the Belgian oil company which together with Gelsenberg of West Germany and Mobil, is the owner of the 1m-tonnes oil storage Europort terminal.

The rest of the crude, some 103,000-tonnes, was destined for a UK refinery at Immingham.

The crew on board the Energy Concentration "ran for their lives when the cracking started." Mobil said yesterday. "It was a terrible noise when all of a sudden it started to crack up."

There was no fire or explosion, but salvage experts spent most of yesterday pumping inert gas into the breached tanks to expel volatile petroleum gasses left after the unloading of the crude oil.

Mounting safety concerns, Page 2

British Rail half-year loss doubles

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL yesterday declared a loss of £24.2m for the first half of 1980, more than twice its loss in the same period last year. BR Board members believe Government must introduce more flexible cash limits if it is to improve its financial performance for the rest of the year.

The loss makes almost certain a further fares increase for this year in the autumn. Fares were last increased in January by 20 per cent. Sir Peter Parker, BR's chairman, said yesterday that the Board would hold back a fares increase for as long as possible. But BR officials said the main increase due in January, may now be brought *forward* to October.

The results compare with a net loss for last year of £400,000. They suggest BR face by the end of the year a serious blow to the sustained recovery which its financial fortunes have undergone since the £28m loss in 1975.

While last year's half-time figures showed a loss of £10m, the recovery then was not hampered by what BR described yesterday as the deepening recession.

The board gave as principal reasons for its "sombre" results: the steel strike earlier this year, which cost BR £30m in lost revenue the continuing decline in freight traffic—the latest estimate for BR's expected freight tonnage this year is 157m tonnes, compared with 170m tones carried last year—and the fall in passenger traffic.

The board is now embarking on a "rigorous" programme of cost cutting, including the scrapping of more freight wagons and the storing of others; taking 60 old locos out of services because of reduced demand, improving fleet availability and urgently cutting staff.

It is also looking for cost reductions of about £18m from the productivity improvements agreed as part of this year's rail pay settlement. Further reductions during the next two years should take the total reduction to £60m.

BR still expects to exceed its cash limits by £40-£50m this year. Sir Peter and the board are pinning a great deal of their hopes of recovering from the half-yearly loss on the findings of a Treasury working party on nationalised industry financing.

The working party, chaired by Mr. Bill Ryrie, second permanent secretary at the Treasury, is likely to recommend a more flexible system of external financing. BR officials hope the working party will report within the next two months, in time for its findings to have an effect on the board's financial performance this year.

BR, which has submitted its views to the Ryrie working party, believes that since it has met its external financial targets for the last three years, although with increasing difficulty, it is now time for the Government to carry over its cash limits from one year to the next so that it can avoid making reductions in service.

In particular BR is distressed that having accepted its £30m loss during the steel strike, it is now having to bear the brunt of the unbudgeted loss while BSC's own cash limit is relaxed and its funding possibly raised by some £400m in the current financial year.

Sir Peter also welcomed last week's announcement by the Government of allowing private capital into BR subsidiaries because the railways had been "starved" of capital.

● British Rail's Sealink subsidiary is likely to offer investors cut-price trips to the continent and Ireland when it floats its shares on the Stock Exchange, Mr. Mike Bosworth, chairman of Sealink and deputy chairman of the BR Board disclosed

UK to end arms ban on Chile

By Elinor Goodman

THE GOVERNMENT is to resume arms sales to Chile. The embargo imposed by the Labour Government in 1974 after the military overthrow of President Allende is to be raised.

The sales will be subject to the same export licensing system as other arms exports. But companies will still not be allowed to sell to Chile weapons which might be used against the civilian population.

The move is the latest in the Government's attempts to restore relations with the Pinochet regime which began in January with the reappointment of the British Ambassador. It provoked a storm of protest from Labour MPs.

The Government insists that resuming normal relations does not mean condoning Chile's human rights record. But Britain has been the only member of the European Community not trading freely in arms with Chile. Since the ban was imposed, Britain's total share of the once-lucrative Chilean market has fallen from 5 to 2 per cent.

Between 1968 and 1974, Britain sold £70m worth of defence equipment to Chile. Most of it was frigates and submarines for the navy. The Chileans are likely to buy this type of equipment again.

Turkish debts rescheduled

By Our Foreign Staff

WESTERN governments yesterday reached agreement with Turkey on a package deal to reschedule official debts of nearly $3bn (£1.26bn) over the next three years, according to Mr. Turgat Ozal the chief Turkish negotiator in Paris.

His remarks, which were not confirmed by Western officials, came at the end of the first day of talks which had initially been thought likely to last for three days.

Turkey's official debts are believed to amount to a total of $16bn. An agreement to reschedule part of them will be a major help to the struggling Government of Mr. Suleyman Demirel which is beset by increasing political violence. An acute shortage of foreign currency is also hampering economic recovery.

The agreement, which is expected to be signed today, is in two parts. The first part is for the rescheduling of $2.2bn, 90 per cent of which is to be rescheduled over a 10-year period made up of five years grace and five years repayment. In the second part debts already rolled over in 1978 and 1979 will be consolidated over the year to June 1981 and will include arrears, Ozal said.

Turkish union leader shot, Page 2

Falling power demand is forecast

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE RECESSION has forced the electricity supply industry to reduce significantly its estimates of future power demand—for the second time this year. This could pose fresh financial problems for the electricity and coal industries.

The reduction is provisional, and only covers the next two to three years, but if the trend is confirmed it would be a major blow to the industry's profitability and would have a serious knock-on effect on the National Coal Board, which relies on power stations for 75 per cent of its coal sales.

The industry, which is planning a more detailed review in the autumn, does not intend to publish the latest figures. But Mr. Glyn England, the chairman of the Central Electricity Generating Board, may be questioned about them today when he gives evidence before the Commons Select Committee on Energy.

Figures announced by the industry in February forecast electricity sales in England and Wales of 226 Terawatt Hours in both 1980-81 and 1981-82, rising to 228 TWH in 1982-83 and 239.4 TWH in 1986-87. These figures were between 1 and 8 per cent lower than those compiled a year earlier.

Provisional estimates drawn up since February suggest that sales over the next two years will be even lower than 226 TWH, although consumption will recover to the original forecast of 239 TWH by 1986-87.

Falling demand would place a further financial strain on the industry, which failed to meet its Government imposed external financing limit in the year to last March and was eventually given access to a further £300m in loans.

A major cause of the overspending was the stocking by the CEGB of large amounts of coal in anticipation of a cold winter and wage disputes in the coal industry. Falling electricity demand meant that several million tonnes of this coal was not burnt.

Unions oppose industry plan, Page 6

Middle East peace tour

BY JOHN WYLES IN BRUSSELS

THE European Community's controversial Middle East initiative aimed at providing a new framework for a comprehensive settlement in the area will be launched next month when M. Gaston Thorn, president of EEC's Council of Ministers, holds talks with the leaders of Egypt, Israel and the Palestine Liberation Organisation.

Israel has been bitterly critical of the EEC move and the Venice summit declaration which called for the involvement of the PLO in negotiations. But it is hoped that Mr. Menahem Begin, the Israeli Prime Minister, will agree to see M. Thorn despite the possibility of a later meeting between the Community's envoy and Mr. Yassir Arafat, the guerrilla leader.

EEC Foreign Ministers in Brussels decided yesterday that M. Thorn should leave for New York today to make a statement to the UN assembly called on the initiative of the Arab States.

M. Thorn, the Luxembourg Foreign Minister, will start in the middle of August with a meeting in Tunis with Mr. Chedli Klibi, General-Secretary of the Arab League, then move on to Israel and Egypt.

Before reporting back to EEC Foreign Ministers in September, it is hoped M. Thorn will also have seen the heads of government of Lebanon, Jordan, Syria, Iraq, Kuwait, and Saudi Arabia.

The purpose of the mission is to call for a comprehensive peace settlement based on Israel's right to security, the right of the Palestinian people to self-determination; and the need to associate the PLO in any final agreement.

World-wide whaling ban rejected

By Alan Friedman

CALLS for a world-wide ban on commercial whaling were rejected yesterday by the International Whaling Commission in its plenary session. Although 13 nations voted for the motion, this was less than the three-quarters majority need to bring an IWC decision into effect.

Nine IWC member-nations voted against the ban, two abstained. This stopped consideration of the issue at the IWC's 32nd annual meeting, taking place this week in Brighton.

Yesterday afternoon the IWC's technical committee approved a proposal from the Seychelles to ban all sperm-whaling. As a result, the question will be debated in the plenary session on Thursday.

Call for change in Budget system

BY PETER RIDDELL AND DAVID MARSH

THE UK Budgetary system should be radically changed to bring public expenditure and tax proposals together and to allow more time for Parliamentary and public discussion.

This is the central proposal of a report published yesterday by a committee of former Treasury officials, politicians and economic commentators.

The committee, sponsored by the independent Institute for Fiscal Studies, was chaired by Lord Armstrong of Sanderstead, former permanent head of the Treasury and Civil Service, who died earlier this month.

The report recommends that a provisional Budget should be published in December, three or four months earlier than at present. This should deal with public spending and tax proposals over the medium term, and all figures should be on a common price basis.

The December proposals, which would replace the spending White Paper and Budget documents, would then be debated in and outside Parliament, and by the Treasury Committee. This would be followed by revised plans at the beginning of the financial year.

The Armstrong report is likely to have a mixed reception from the Government. Treasury Ministers like the idea of bringing revenue and spending plans together, especially after the favourable response to the simultaneous presentation of tax and spending plans in this year's Budget.

But that was largely a fortuitous result of the late round of spending cuts, and the committee says expenditure decisions were still taken separately from those concerning taxes.

Treasury Ministers are thought to be much less sympathetic to the idea of the provisional December Budget. This is partly because of a desire to avoid publishing figures and plans which may have to be revised three months later.

Traditionally, Chancellors have also wanted to delay unpopular decisions as long as possible, and have revised their budgets almost up to the last moment.

Details, Page 7
Feature, Page 13

Weather

UK TODAY

SHOWERS OR longer periods of rain in north western areas. Elsewhere there will be outbreaks of rain followed by brighter weather. Temperatures near normal.

London, S. England, E. Anglia, W. Midlands

Mostly dry with sunny intervals. Perhaps a little light rain. Wind moderate. Max. 22C (72F).

W. Midlands, Channel Isles, S.W. England, S. Wales

Light rain or drizzle in places at first. Sunny intervals developing with isolated showers. Wind light or moderate. Max. 20C (68F).

N. Wales, N.W. England, Isle of Man

Showers and bright or sunny intervals. Wind moderate occasionally fresh. Rather cool. Max. 17C (63F).

WORLDWIDE

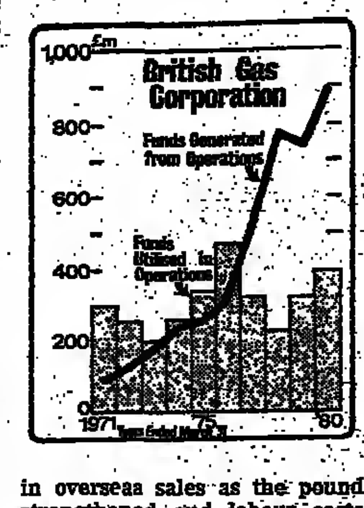
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Locarno	S	22	72
Amsdm.	S	19	66	London	S	18	68
Athens	S	30	86	Luxmbg.	S	15	59
Bahrain	S		104	Luxor	S	41	106
Barclna.	S	24	75	Madrid	S	31	88
Beirut	S	29	84	Majorca	S	26	79
Belfast	R	15	59	Malaga	F	25	77
Belgrd.	F	16	61	Malta	S	29	84
Berlin	C	15	59	M'chstr	S	18	64
Biarritz	S	26	79	Melbne.	C	10	50
Bmghm.	S	19	66	Mex. C.	S	21	70
Blackpl.	F	18	64	Milan	S	24	75
Bordx.	S	25	77	Mntreal	R	21	70
Boulgn.	S	18	64	Moscow	R	22	72
Bristol	F	19	66	Munich	F	14	57
Brussels	S	19	66	Nairobi	C	15	59
Budpst.	C	14	57	Naples	S	27	81
B. Aires	S	15	59	Nwcstl.	F	15	51
Cairo	S		100	N. York	C	31	88
Cardiff	S	19	66	Nice	S	23	73
Cas'b'ca	S	28	82	Nicosia	C	31	88
Cape T.	S	16	61	Oporto	C	20	68
Chicago	S	25	77	Oslo	F	21	70
Cologne	S	17	63	Paris	S	20	68
Conhgn.	C	18	64	Prague	C	10	50
Corfu	S	27	81	Reykjvk.	S	13	55
Dublin	F	18	54	Rhodes	S	27	81
Dbrvnk.	F	24	75	Rome	S	26	79
Ednbgh.	F	16	61	Salzbrg.	C	13	55
Faro	S	27	81	Singapr.	C	30	86
Florence	S	27	81	Stckhm.	F	20	68
Frankft.	F	18	81	Strsbg.	S	17	63
Funchal	S	24	75	Sydney	C	14	57
Geneva	S	18	64	Tangier	S	30	68
Gibrltr.	S	24	75	Tehran	S	32	90
Glasgow	R	14	57	Tel Aviv	S	29	54
G'rnsey	S	17	63	Tenerife	F	22	72
Helsinki	C	21	70	Tokyo	S	29	84
H. Kong	R	28	82	Toronto	R	20	68
Innsbrk.	S	19	66	Tunis	S	30	86
Invrnss.	S	20	68	Valencia	S	27	81
Jersey	S	19	66	Venice	S	24	75
Jo'burg	S	17	63	Vienna	C	12	54
L. Plms.	F	24	75	Warsaw	C	17	63
Lisbon	S	29	84	Zurich	S	17	63

C—Cloudy. F—Fair. R—Rain. S—Sunny.

THE LEX COLUMN

Dowty faces a mining gap

Index fell 9.3 to 486.7



Time after time the gilt-edged market falters the day before a new stock comes up for tender. Perhaps it is that the institutions hold off in order to take up the new issue, or maybe the traders go to ground for a few days to avoid the turbulent conditions that sometimes accompany the first days of life of a tap stock. In any case, it certainly suits the jobbers—and the brokers, for that matter—for a stock to be sold through the market place rather than direct from the Watling Street window.

Yesterday the market enjoyed one of its best days of the year for dividend flows, and the unemployment figures were striking evidence of the depth of the recession; references to the 1930s evoke nostalgia for the level of interest rates experienced in that decade. But there was still a steep enough fall to leave today's tranche of Treasury 11¾ per cent 1991 no more than about ½ point cheap at its minimum tender price. There may be substantial applications, but recent experience suggests that such a margin is too slim to ensure a sell-out.

Dowty

If the market was disappointed in Dowty's results yesterday, it has only some over-ambitious projections by analysts to blame, for at the trading level profits have advanced slightly faster in the second half than in the first, and margins have been a little better. But interest payments received have been about £100,000 lower in the second six months due to the bunching of capital expenditure later in the year. So the full year rise in pre-tax profits has shaded back to 21 per cent, at £37.9m, compared with the 23 per cent gain at the half-way stage.

With earlier hopes of a pick-up in Coal Board orders failing to materialise, the group has *resigned itself to* a *downturn* in its mining business following the completion of the giant Chinese order. Profits have fallen back in the hydraulics business, and the state of the vehicle market on which it is dependent makes a further decline probable. The electronics division, however, has been only temporarily depressed by the disposal of a company at a loss, and should register an improvement in the current year.

Meanwhile orders in the aerospace and defence business have leapt 50 per cent over the last year, as the Tornado programme moves up to peak production. But trading margins here have slipped by 3 percentage points, not helped by a jump of a third in overseas sales as the pound strengthened and labour costs rose by 21 per cent. So, unlike some of the similarly highly rated electrical companies, Dowty will see little further profits expansion *this* year, although subsequently the prospects remain bright. The share price fell 18p yesterday to 232p, to produce a yield of 2.8 per cent and p/e of about 17, fully taxed.

British Gas

The muddle over whether British Gas is a commercial organisation or a cash cow for the Government is once again highlighted by its annual report, showing pre-tax profits (on a partial current cost basis) of £425.9m against £360.7m. On a historical cost basis this figure would have been more like £660m (up a quarter) and British Gas has continued to produce vastly more funds than it immediately requires, with cash generation reaching £890m compared with fixed investment of £343m and an increase in working capital of £55m.

To begin with, the Corporation's target was to feed £259m into the Exchequer, but last summer the incoming Conservative Government required an extra £190m (in the jargon, the external financing limit was increased to minus £449m). That led to gas price rises, but in the event the mild winter meant that the target was missed by £2m—and despite its plethora of cash British Gas was reduced to penny-pinching measures like the postponement of capital spending.

In 1980-81 British Gas's target probably implies profits of over £600m on the current cost basis, but the threatened levy on gas supplies not subject to PRT will eat into this to an unknown extent, and meantime the Corporation is grimly trying to keep the Government's hands off its oilwells. Apparently, however, subjects like changes in its monopoly, or the introduction of outside capital, have not yet been discussed.

A much increased capital spending programme no doubt partly reflects British Gas's aim to retain more of its cash flow; it planned for £4bn of spending over the next five years, which adjusting for inflation appears to represent in volume terms an annual level on average two-thirds higher than was actually spent in 1979-80. Judging by last year's experience, however, the actual pace of spending could be at the short term mercy of the Treasury.

MFI Furniture

MFI has squeaked home just ahead of its downward revised forecast for pre-tax profits, which emerge at £16.8m for the year to May compared with £14.0m in 1978-79. Volume in the existing stores was up by a fifth or more, but a change in the sales mix in the second *half* has lowered realised gross margins. Some of this has been corrected in the first quarter of this year, while volume in June has held roughly at last year's levels on equivalent selling space, a satisfactory performance given that national retail sales volume was 8 per cent down.

MFI's policy of holding prices down in an aggressive push for volume growth seems to have become a more defensive posture now that other retailers have entered the knock-down furniture market in earnest. It will probably soon be forced to raise prices and there must be a question mark over volume in the rest of this year. MFI will also be carrying interest charges on net debt of £16m (and rising), and will have to cover the costs of integrating Status Discount.

Status' figures for the six months to May are very poor, with pre-tax profits down 80 per cent. It is hard to guess how much of this decline reflects genuine trading difficulties and how much is a clearing of the decks by MFI before it consolidates Status. Either way, there will be significant dilution this year; group profits may be around £18m, which puts the shares on a p/e of under 8 fully-taxed at 46p, where the yield is 8.4 per cent. This is by no means expensive for a company with MFI's long-term growth potential, but after a large placing (at 72p), a missed profits forecast and the issue of 38m shares for a company of Status' quality, the City is deeply disillusioned.

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مكتبة الأصيل